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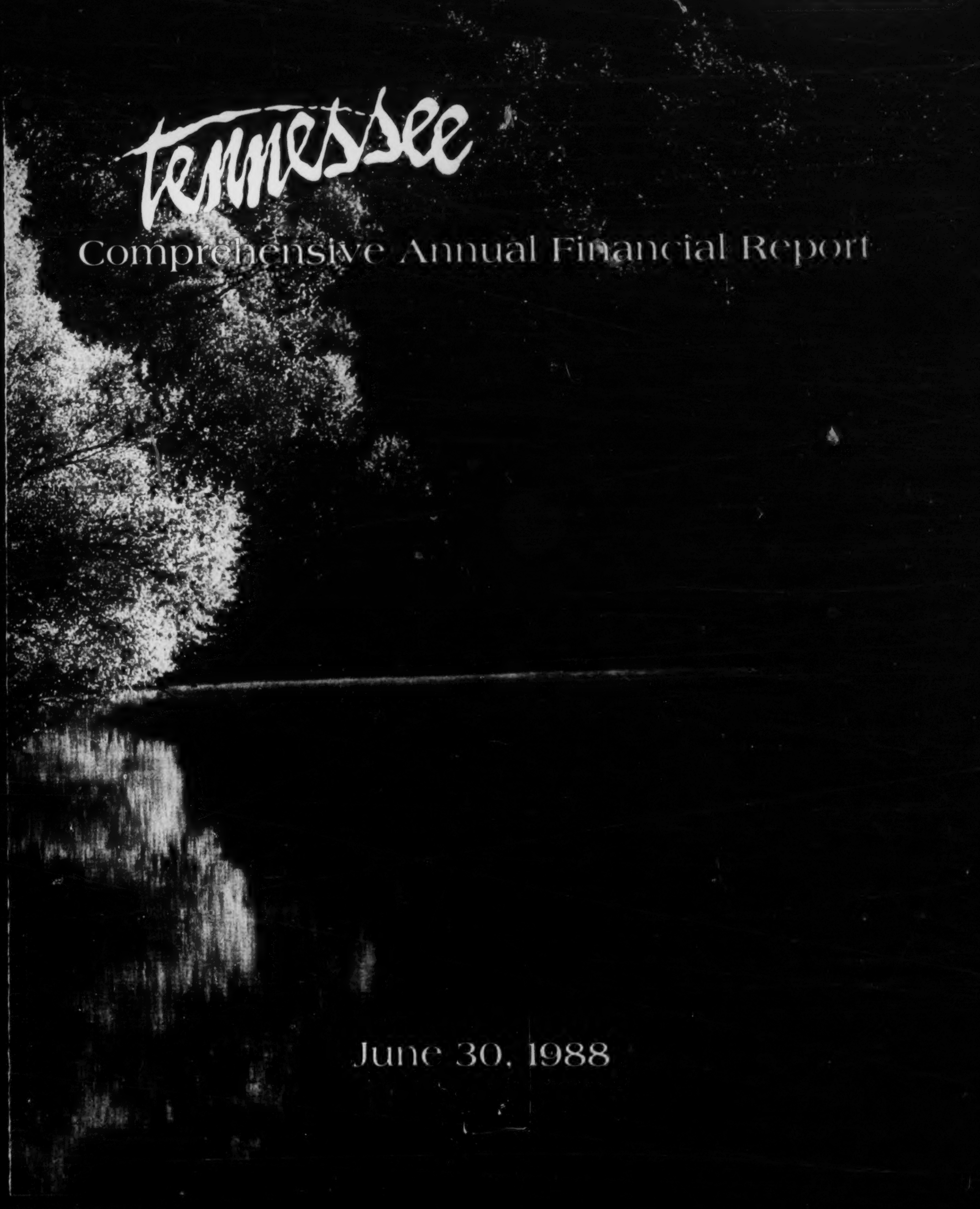

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Comprehensive Annual Financial Report

June 30, 1988

Scenic Radnor Lake near Nashville.
Photographed by Karina McDaniel
State of Tennessee, Media Production Services.

Tennessee Comprehensive Annual Financial Report For the Year Ended June 30, 1988

NED McWHERTER , Governor

XVI

1796

DEPARTMENT OF AUDIT
WILLIAM R. SNODGRASS, Comptroller of the Treasury
Division of State Audit
ARTHUR A. HAYES, JR.
Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAVID L. MANNING, Commissioner
Division of Accounts
DANNY L. CREEKMORE, Chief of Accounts

Tennessee Department of Finance and Administration, Authorization No. 317062, December, 1988, 1050 copies. This public document was promulgated at a cost of $5.75 per copy.

STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1988

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Introductory Section

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5175

December 21, 1988

The Honorable Ned McWherter
Governor of the State of Tennessee

In accordance with Section 4-4-114, Tennessee Code Annotated, it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Tennessee for the year ended June 30, 1988. This report has been prepared by the State's Department of Finance and Administration. Responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the State. I believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the State's financial activity have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The latter is discussed in another section of this letter. The introductory section includes this transmittal letter and the State's organizational chart, which includes the names of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Accounting System and Budgetary Control

The State's accounting records for general governmental funds are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when services or goods are received and the liabilities incurred. Accounting records for expendable trust and agency funds are similarly maintained. The State's proprietary, nonexpendable trust, pension trust and college and university funds are accounted for on the accrual basis.

In developing and modifying the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 1988.

The Reporting Entity and Its Services

The funds and entities related to the State of Tennessee included in our Comprehensive Annual Financial Report are controlled by or dependent on the State. Determination of "controlled by or dependent on" is based on criteria developed by the Governmental Accounting Standards Board in their Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The criteria deal with existence as an organized entity; governmental character; and substantial autonomy. Based on these criteria the various funds and account groups (being all the funds and account groups of the State) shown in the Table of Contents are included in this report.

The State provides the full range of services contemplated by statute or character. These include education, health and social services, transportation, law, justice, public safety, recreation and resources development, public improvements and general administrative services.

General Governmental Functions

General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects funds. Revenues for general governmental functions totaled $5.8 billion in 1988, an all-time high and an increase of 8% over 1987. Taxes represented 61% of general revenues, unchanged from last year. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

Revenue Source	Amount	Percent of Total	Increase from 1987
Taxes	$ 3,513,827	60.8%	$ 244,138
Licenses, fines, fees and permits	78,715	1.4	7,082
Interest on investments	74,367	1.3	1,661
Federal	1,746,823	30.2	122,999
Departmental services	332,371	5.7	37,670
Other	34,011	.6	17,186
	$ 5,780,114	100%	$ 430,736

Governmental fund tax revenues exceeded estimates for the year by $29 million dollars. The greatest tax revenue increment, some $141 million, occurred in sales and use tax where strong increases in collections from auto dealers, manufacturers, grocery stores, and restaurants took place. The excise tax, applied to annual net earnings of business enterprises, increased $51 million over the previous year, reflecting increased profitability of businesses in the state. Other tax sources generally increased with no significant variances from 1987.

The combination of heightened business activity and increases in certain charges account for the increase in licenses, fines, fees, and permits.

The federal revenue increase resulted from federal participation in health and social services (paced by Medicaid), education and transportation, all of which incurred substantial increases in expenditures during the year.

Departmental services revenue growth for the year includes a $20 million increase in interdepartmental billings for services previously furnished at no charge, and an $11 million increase in billings to municipalities for shared costs of road construction and other projects.

Expenditures for general governmental purposes totaled $5.1 billion in 1988, also a record and an 8% increase over the previous year. Changes in expenditures by function from 1987 levels are presented in the following tabulation (expressed in thousands).

Function	Amount	Percent of Total	Increase from 1987
General government	$ 203,405	4.0%	$ 12,661
Education	1,447,291	28.2	78,541
Health and social services	2,040,323	39.8	216,033
Law, justice and public safety	391,384	7.6	34,491
Recreation and resources development	151,234	3.0	1,235
Regulation of business and professions	23,097	.5	735
Transportation	689,265	13.4	40,967
Debt service	104,182	2.0	3,991
Capital outlay	77,103	1.5	4,362
	$ 5,127,284	100%	$ 393,016

Expenditure highlights for 1988 were few. The largest expenditure increment occurred in health and social services where costs associated with the Medicaid program rose some $160 million. Expenses of the correctional system, fueled by rising crime rates, caused the increase in the law, justice and public safety function. The increase in transportation expenditures is a result of increased funding from the 4-cent per gallon increase in gasoline taxes in 1986.

Ending fund balances for all governmental fund types decreased $26 million to $868 million at June 30, 1988. Of this total, unreserved fund balances aggregated $170 million, up from $131 million a year ago.

Debt Administration

Tennessee continues to receive excellent bond ratings from both Moody's Investors Service (Aaa) and Standard and Poor's Corporation (AA+), reflecting our long-standing record of sound financial management. No general obligation bonds were sold during the year. As a result, general long-term bonded debt decreased from $680 million at June 30, 1987 to $616 million at June 30, 1988. The following table presents certain data regarding the general obligation bonds issued during the previous five fiscal years.

Date of Issue	Amount (Millions)	Average Interest Rate
June 1986	$196	6.69%
February 1987	113	5.56

The ratio of net general long-term bonded debt to assessed valuation and the amount of net bonded debt per capita and per family are useful indicators to citizens, investors and management of the State's debt position. At June 30, 1988 these data were as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita	Debt per Family
Net General Long-Term Bonded Debt	$ 613,213,000	1.77%	$125.76	$453.00

Debt Limitations

Under current statutes, the State's general obligation bonded debt issuances are subject to an annual legal debt service limitation based on a pledged portion of certain current year revenues. The current year limitation is compared to current year debt service requirements. For fiscal year 1988, the State's legal debt service limit of $268 million on all net general long-term bonded debt exceeded the debt service required by $157 million.

Cash Management

In recent years the State Treasurer has pursued an aggressive cash management and investment program. One aspect of this which we believe is unique to Tennessee is our direct access into the Federal Reserve wire system. Through the State Trust of Tennessee, all wire services in the federal system are available via a terminal located in the State's investment offices. This provides the State with unprecedented flexibility in investing and concentrating cash balances and pension fund assets, and in redeeming warrants and checks issued against the Treasury. During fiscal year 1988, uncommitted State funds were invested in short-term collateralized deposits as follows (averaged): certificates of deposit (39%); repurchase agreements (13%); U.S. Treasuries (47%); and money market accounts (1%). The composite average yield on these investments was 6.95%, up from 6.8% last year.

Risk Management

All State property is insured under an all risk policy for full value, with no upper limit on aggregate claims for losses. The insurance policy has an annual $5 million aggregate deductible which is covered by a $5 million State designation for casualty losses. The designation is reimbursed for all claims paid therefrom.

Economic Condition and Outlook

The State's economic condition has improved substantially over the last five years following several years of slower economic growth attributable to a nationwide decline in manufacturing activity. Manufacturing investment exceeded one billion dollars in each of those five years. Many industries already located in the state have expanded operations. A number of industries such as Nissan and General Motors Saturn have chosen to locate new production facilities in Tennessee. Characteristics of the State which have been identified as important reasons why firms have chosen Tennessee sites include work-force related factors such as worker productivity and right-to-work laws, as well as access to markets and pro-business attitude of the State.

Based on current projections, the State's growth is expected to exceed the national average into the next century.

Major Initiatives

The State has identified several major programs needed to meet citizens' needs for services and to conform with applicable federal and state standards. These programs include improvements in indigent health care, improvements in the penal system, and the promotion of greater efficiency in State government by streamlining operations, reducing paperwork, and creating conditions for a stable work-force.

The overtaxed penal system has been a major source of concern for several years. Prison populations have risen considerably due to increased crime rates and mandatory sentencing laws, leading to overcrowding. Current projections point to a continued increase in inmates within the next few years. The State has taken steps to address this growing problem by beginning construction of three major new facilities plus other smaller units. Construction of an additional major facility has been proposed and is now in the design stage. Improvements in salaries and working conditions for correctional employees have been implemented.

Proprietary Funds

Combined operating results for the State's enterprise funds remained strong in 1988. Operating revenues were $122 million, an increase of $2 million over 1987. Operating expenses increased to $111 million from $104 million the previous year. The Tennessee Housing Development Agency (THDA), created to provide housing loans to lower and moderate income citizens, again paced the enterprise activity ($107 million and $97 million in operating revenues and expenses, respectively). Outstanding enterprise fund bonds at June 30, 1988 totaled $1.2 billion, consisting of $64 million in State Loan Program general obligation bonds and $1.1 billion in THDA and Local Development Authority revenue bonds.

Combined operating results for the State's internal service funds also remained strong in 1988. Operating revenues and expenses for these cost-reimbursement agencies aggregated $75 million and $71 million, respectively, as compared to 1987 amounts of $69 million and $50 million. The principal internal service operations provide data processing services, third party liability claims processing and motor pool vehicles to other State departments.

College and University Funds

College and University current funds revenues increased 11% to $799 million in 1988. State appropriations to these funds rose 4% to $621 million. The primary highlights in current funds revenues were the increase in income from tuition and fees ($180 million in 1988 vs. $163 million in 1987); and increased auxiliary enterprise and hospital revenues ($300 million in 1988 vs. $262 million in 1987) reflecting higher patient occupancies at both university-operated hospitals. Current funds expenditures likewise increased in 1988, up some 6% to $1.1 billion. The State's commitment to increased pay and benefits for higher education faculty and staff was borne out by this increment. Student loans outstanding at June 30, 1988, primarily from federal government sources, totaled $39 million, up $2 million from last year. Total assets of the endowment and similar funds group rose 26% in 1988 to $93 million. College and university revenue bonded debt decreased $9 million to $254 million at June 30, 1988. Enrollment increased to 103,000 students; university students increased by 1,800 to 82,300 and community college students increased by 1,000 to 20,000.

Pension Plan

Total assets of the State's pension trust fund reached $6.4 billion at June 30, 1988. The latest actuarial update of the plan, prepared as of June 30, 1988, indicated that net assets of the pension fund exceeded the actuarially computed pension benefit obligation by $5.1 million. The actuarial report further noted that excellent progress in funding continued, the plan termination liability funding ratio remaining at 128% at June 30, 1988.

General Fixed Assets

The general fixed assets of the State are those fixed assets used in the performance of general governmental functions. They exclude the fixed assets of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds. An inventory of all State-owned land and buildings was completed in 1985, and a computerized real property management system is now in place to maintain this information at cost, estimated historical cost or fair market value, as appropriate. As of June 30, 1988 the State's general fixed assets, based on this inventory, amounted to $991 million.

Independent Audit

State statutes require an annual audit of all fund types and account groups of the State. The accompanying financial statements have been examined by the Division of State Audit, Office of the Comptroller of the Treasury. Their examination was conducted in accordance with generally accepted government auditing standards, and their unqualified opinion appears elsewhere herein.

In conjunction with this examination, the Division of State Audit conducted an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, Audits of State and Local Governments. The audit included tests of compliance with applicable federal laws and regulations as well as a study and evaluation of internal controls, including internal accounting and administrative controls used in administering federal financial assistance programs. The results of this single audit are published under separate cover by the Division of State Audit.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 1987. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Past Year's Operations and Future Prospects

Governmental fund balances decreased by $26 million from 1987, resulting from $77 million in capital assets expenditures with no corresponding debt issue. The state's commitment to education reforms including increased pay and benefits for higher education, and improvements in the penal system are reflected in the 8% increase in expenditures for the year.

We anticipate that the State's rate of economic growth will continue to outpace the national growth rate, bolstered by record capital investments in the last four years. We will continue to be an attractive location for industry with our favorable business and tax environments. We will continue to refine education reforms to provide better education for our children in schools that are among the best in the nation. We will continue in the forefront of states whose progressive financial reporting conforms with the highest standards of financial accountability and disclosure. This report meets those standards. It could not have been prepared without the cooperation of all state agencies and branches. I especially appreciate the professionalism and dedication demonstrated by my staff.

Respectfully submitted,

David L. Manning

David L. Manning, Commissioner
Department of Finance and Administration

DLM/db

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5043
PHONE (615) 741-2501

William R. Snodgrass
Comptroller

December 21, 1988

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Ned McWherter, Governor
State of Tennessee

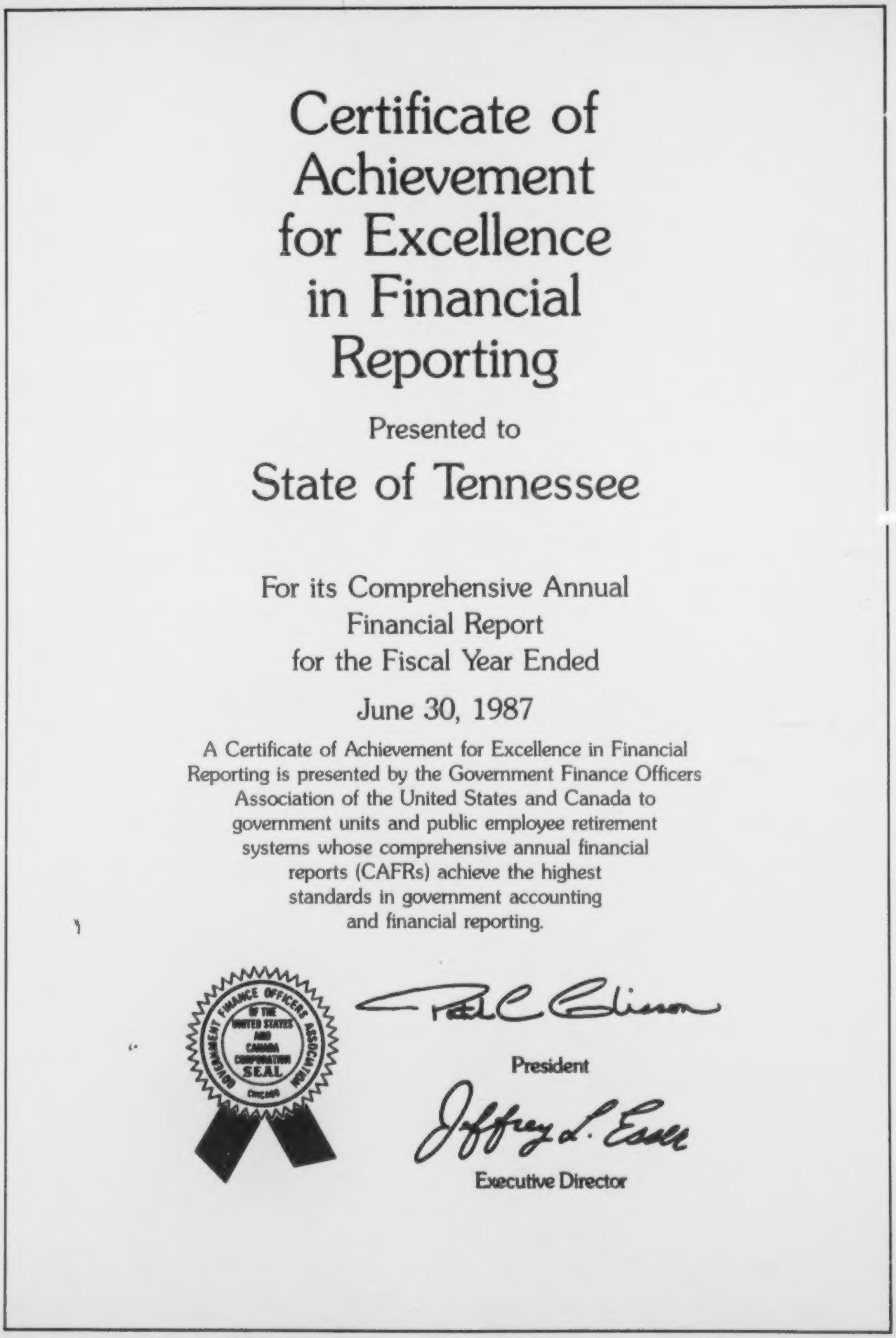
Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the auditor's report on the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1988.

Respectfully,

W R Snodgrass
W. R. Snodgrass
Comptroller of the Treasury

WRS/db



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 1987

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Paul C Glisson

President

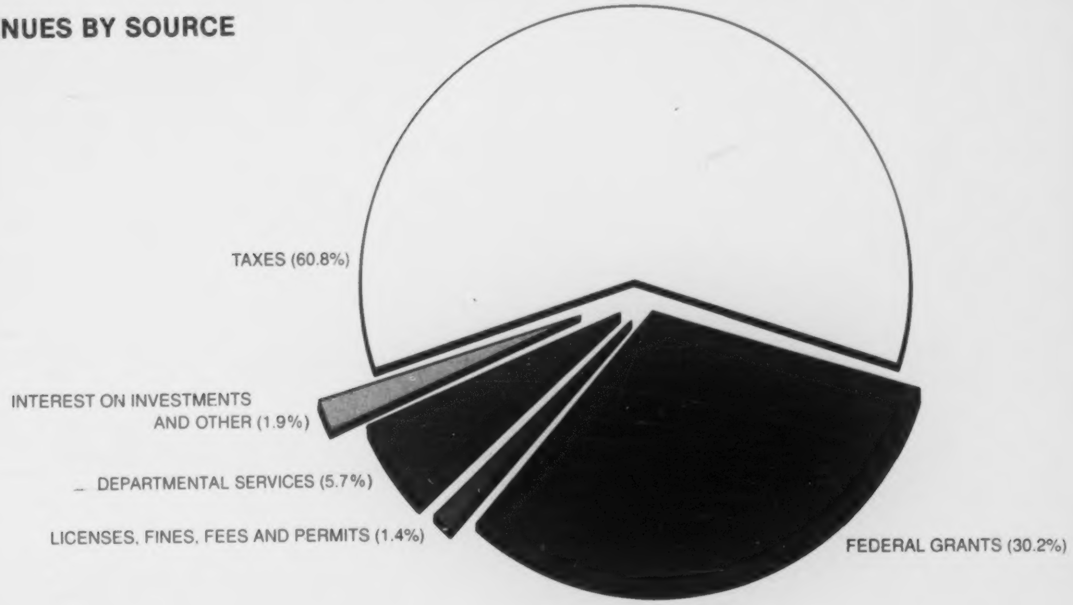
Jeffrey L. Esser

Executive Director

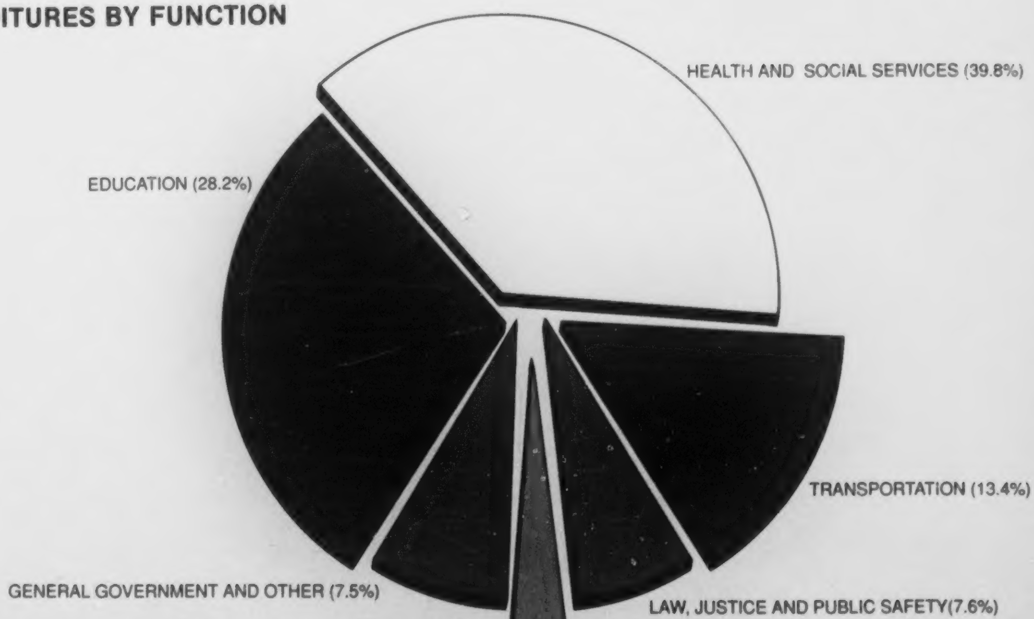
The State of Tennessee was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its Annual Financial Report for the year ended June 30, 1987.

STATE OF TENNESSEE
GRAPHIC PRESENTATION OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1988

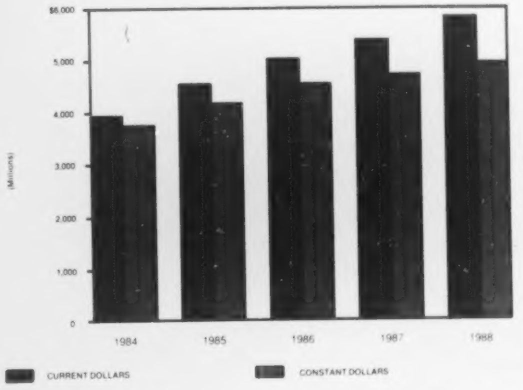
REVENUES BY SOURCE



EXPENDITURES BY FUNCTION

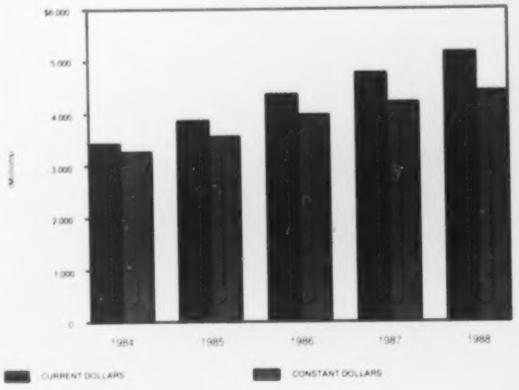


STATE OF TENNESSEE
REVENUES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



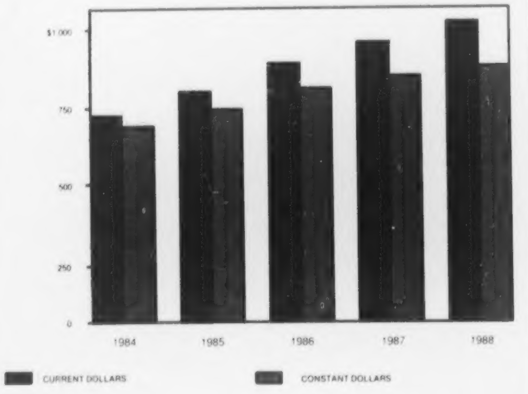
	1984	1985	1986	1987	1988
CURRENT DOLLARS	$3,945	$4,548	$5,000	$5,349	$5,780
CONSTANT DOLLARS (1982)	$3,754	$4,181	$4,532	$4,674	$4,898
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	14.9%	15.3%	9.9%	7.0%	8.1%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	6.5%	11.4%	8.1%	3.1%	4.8%

STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



	1984	1985	1986	1987	1988
CURRENT DOLLARS	$3,414	$3,850	$4,354	$4,734	$5,127
CONSTANT DOLLARS (1982)	$3,248	$3,541	$3,936	$4,126	$4,345
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	12.2%	12.8%	13.1%	8.7%	8.3%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	3.9%	9.0%	11.1%	4.8%	5.3%

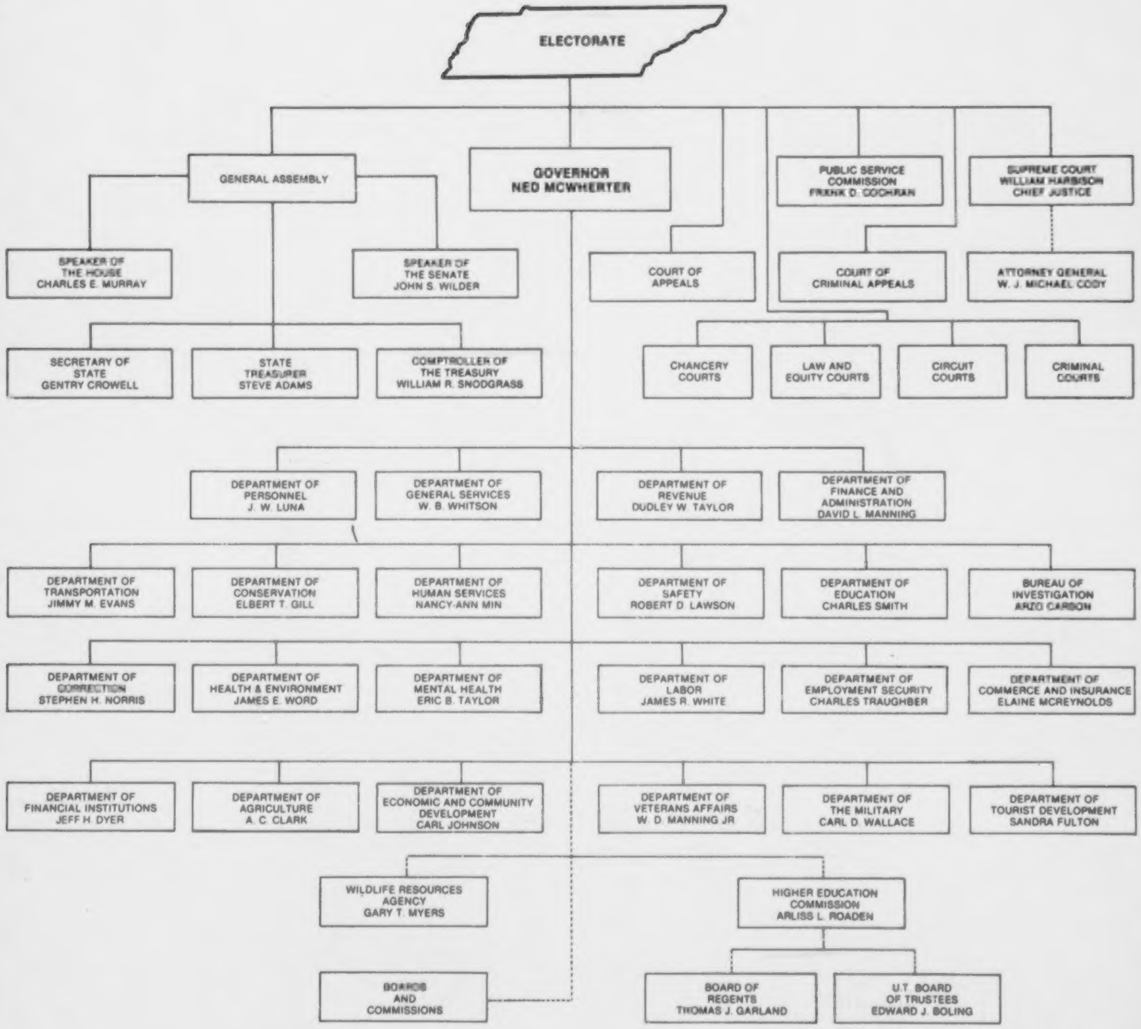
STATE OF TENNESSEE
PER CAPITA EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



	1984	1985	1986	1987	1988
CURRENT DOLLARS	$723	$809	$907	$979	$1,052
CONSTANT DOLLARS (1982)	$688	$744	$819	$858	$891
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	11.1%	11.9%	12.1%	7.9%	7.4%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	2.9%	8.1%	10.2%	4.8%	3.8%

NOTE: EXPENDITURES EXPRESSED IN CONSTANT DOLLARS WERE DERIVED BY USING THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS.

STATE OF TENNESSEE
ORGANIZATION CHART
1988


ELECTORATE
GENERAL ASSEMBLY
GOVERNOR NED MCWHERTER
PUBLIC SERVICE COMMISSION FRANK D. COCHRAN
SUPREME COURT WILLIAM HARBISON CHIEF JUSTICE
SPEAKER OF THE HOUSE CHARLES E. MURRAY
SPEAKER OF THE SENATE JOHN S. WILDER
COURT OF APPEALS
COURT OF CRIMINAL APPEALS
ATTORNEY GENERAL W. J. MICHAEL CODY
SECRETARY OF STATE GENTRY CROWELL
STATE TREASURER STEVE ADAMS
COMPTROLLER OF THE TREASURY WILLIAM R. SNODGRASS
CHANCERY COURTS
LAW AND EQUITY COURTS
CIRCUIT COURTS
CRIMINAL COURTS
DEPARTMENT OF PERSONNEL J. W. LUNA
DEPARTMENT OF GENERAL SERVICES W. B. WHITSON
DEPARTMENT OF REVENUE DUDLEY W. TAYLOR
DEPARTMENT OF FINANCE AND ADMINISTRATION DAVID L. MANNING
DEPARTMENT OF TRANSPORTATION JIMMY M. EVANS
DEPARTMENT OF CONSERVATION ELBERT T. GILL
DEPARTMENT OF HUMAN SERVICES NANCY-ANN MIN
DEPARTMENT OF SAFETY ROBERT D. LAWSON
DEPARTMENT OF EDUCATION CHARLES SMITH
BUREAU OF INVESTIGATION ARZO CARSON
DEPARTMENT OF CORRECTION STEPHEN H. NORRIS
DEPARTMENT OF HEALTH & ENVIRONMENT JAMES E. WORD
DEPARTMENT OF MENTAL HEALTH ERIC B. TAYLOR
DEPARTMENT OF LABOR JAMES R. WHITE
DEPARTMENT OF EMPLOYMENT SECURITY CHARLES TRAUGHBER
DEPARTMENT OF COMMERCE AND INSURANCE ELAINE MCREYNOLDS
DEPARTMENT OF FINANCIAL INSTITUTIONS JEFF H. DYER
DEPARTMENT OF AGRICULTURE A. C. CLARK
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT CARL JOHNSON
DEPARTMENT OF VETERANS AFFAIRS W. D. MANNING JR
DEPARTMENT OF THE MILITARY CARL D. WALLACE
DEPARTMENT OF TOURIST DEVELOPMENT SANDRA FULTON
WILDLIFE RESOURCES AGENCY GARY T. MYERS
HIGHER EDUCATION COMMISSION ARLISS L. ROADEN
BOARDS AND COMMISSIONS
BOARD OF REGENTS THOMAS J. GARLAND
U.T. BOARD OF TRUSTEES EDWARD J. BOLING

Financial Section

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219
PHONE (615) 741-3697

December 21, 1988

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the combined financial statements of the State of Tennessee and the combining, individual fund, and account group financial statements of the State as of and for the year ended June 30, 1988, as listed in the table of contents. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements referred to above present fairly the financial position of the State of Tennessee at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the combining, and individual fund, and account group financial statements referred to above present fairly the financial position of the individual funds and account groups of the State of Tennessee at June 30, 1988, and the results of operations of such funds and the changes in financial position of individual proprietary funds and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining, and individual fund, and individual account group financial statements. The accompanying financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the State of Tennessee. Such information has been subjected to the auditing procedures applied in the examination of the combined, combining, individual fund, and individual account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

The statistical and economic data, listed in the foregoing table of contents, were not audited by us and, accordingly, we do not express an opinion thereon.

Respectfully,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/db

General Purpose Financial Statements

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1988

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
CASH AND CASH EQUIVALENTS	$ 388,833	$ 371,436	$ 2,788	$ 321,410
CASH ON DEPOSIT WITH FISCAL AGENTS				
INVESTMENTS				
RECEIVABLES (Note 1)	246,365	30,439		2,105
ADVANCES TO OTHER FUNDS	3,301			
INTERFUND RECEIVABLES (Note 2)	1,237	580		8,761
INVENTORIES		4,381		
PREPAYMENTS	2,171			
LAND				
STRUCTURES AND IMPROVEMENTS				
MACHINERY AND EQUIPMENT				
LESS - ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND				
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG - TERM OBLIGATIONS				
DEFERRED CHARGES AND OTHER				
TOTAL ASSETS	$ 641,907	$ 406,836	$ 2,788	$ 332,276
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
WARRANTS PAYABLE	$ 58,739	$ 6,604	$ 2	$ 5,404
ACCOUNTS PAYABLE AND ACCRUALS	277,684	61,445	396	10,476
INTERFUND PAYABLES (Note 2)	6,727	1,118		459
ADVANCES FROM OTHER FUNDS		2,880		
NOTES PAYABLE (Note 3)				7,400
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
LEASE OBLIGATIONS PAYABLE (Note 3)				
DEFERRED REVENUE	68,486	203		237
OTHER	77	7,513		
TOTAL LIABILITIES	411,713	79,763	398	23,976
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL				
INVESTMENT IN FIXED ASSETS				
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT				
RESERVED FOR SEWAGE TREATMENT LOANS				
UNRESERVED				
FUND BALANCES (Note 1):				
RESERVED FOR:				
RELATED ASSETS		4,381		
ENCUMBRANCES AND CONTRACTS	30,669	168,856		111,353
CONTINUING APPROPRIATIONS	42,797			
OTHER SPECIFIC PURPOSES	10,453	132,441		196,947
UNRESERVED:				
DESIGNATED FOR REVENUE FLUCTUATIONS	96,800			
DESIGNATED FOR HIGHWAY CONSTRUCTION		21,395		
DESIGNATED FOR DEBT SERVICE			2,390	
DESIGNATED FOR TRUST PURPOSES				
DESIGNATED FOR COLLEGES AND UNIVERSITIES				
DESIGNATED FOR OTHER SPECIFIC PURPOSES	49,463			
UNDESIGNATED	12			
TOTAL FUND EQUITY	230,194	327,073	2,390	308,300
TOTAL LIABILITIES AND FUND EQUITY	$ 641,907	$ 406,836	$ 2,788	$ 332,276

See accompanying Notes to the
Financial Statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM OBLIGATIONS (Note 3)	COLLEGE AND UNIVERSITY	JUNE 30, 1988	JUNE 30, 1987
$ 240,533	$ 65,052	$ 1,316,581			$ 174,987	$ 2,881,620	$ 3,070,045
	1,250	550,248			27,954	579,452	499,774
181,457	68,455	5,790,931			182,300	6,223,143	5,227,991
1,038,936	1,106	187,591			123,155	1,629,697	1,508,134
						3,301	4,281
6	53	14,543			69,232	94,412	80,255
	398				17,696	22,475	27,924
	407	1			2,010	4,589	1,577
29	1,491		$ 79,151		59,947	140,618	130,997
98	12,278		686,865		1,296,167	1,995,406	1,885,865
467	75,019	34	192,214		562,576	830,310	739,394
(356)	(38,172)	(10)				(38,538)	(32,716)
			32,450		24,725	57,175	37,834
				$ 2,390		2,390	1,458
				704,953		704,953	762,879
1,813	2,299				2,852	6,964	11,160
$ 1,462,983	$ 189,636	$ 7,859,919	$ 990,680	$ 707,343	$ 2,543,601	$ 15,137,969	$ 13,956,852
$ 3,188	$ 2,080	$ 30,892				$ 106,909	$ 91,323
58,854	39,644	206,797		$ 91,698	$ 135,403	882,397	846,345
23	939	77,228			7,918	94,412	80,255
	421					3,301	4,281
61,432					61,768	130,600	111,626
1,223,208	68,667			615,603	253,691	2,161,169	2,158,819
733	1,979					2,712	2,712
				42	3,700	3,742	8,487
1,958	498	9,502			30,065	110,949	104,414
		434,963			23,202	465,755	450,113
1,349,396	114,228	759,382		707,343	515,747	3,961,946	3,858,375
3,363	44,946					48,309	114,777
			$ 990,680		1,625,104	2,615,784	2,412,796
16,485						16,485	14,310
3,485						3,485	3,258
90,254	30,462					120,716	106,329
					48,766	53,147	46,309
					16,925	327,803	265,357
						42,797	36,807
		7,089,928			210,682	7,640,451	6,851,950
						96,800	75,000
						21,395	26,783
						2,390	1,458
		10,609			26,848	37,457	26,870
					99,529	99,529	89,056
						49,463	5,263
						12	22,154
113,587	75,408	7,100,537	990,680		2,027,854	11,176,023	10,098,477
$ 1,462,983	$ 189,636	$ 7,859,919	$ 990,680	$ 707,343	$ 2,543,601	$ 15,137,969	$ 13,956,852

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30 1988

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	JUNE 30, 1988	JUNE 30, 1987
REVENUES:							
TAXES	$2 978,724	$ 414,225	$ 120,878		$ 211,342	$ 3,725,169	$ 3,468,021
LICENSES, FINES, FEES AND PERMITS	43,407	35,308				78,715	71 819
INTEREST ON INVESTMENTS	71,459	2,908			73 218	147,585	135,155
FEDERAL	1,491,560	250,442	92	$ 4 729	12.647	1,759,470	1,634,867
DEPARTMENTAL SERVICES	305,598	24,628		2,145		332,371	294,701
CONTRIBUTIONS					121,263	121,263	101,603
OTHER	27,569	6.442				34,011	16,984
TOTAL REVENUES	4,918,317	733,953	120,970	6,874	418,470	6,198,584	5,723,150
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	190,532	12,873			136,742	340,147	308,929
EDUCATION	1,445,912	1,379			19 304	1,466,595	1,380,560
HEALTH AND SOCIAL SERVICES	2,036,714	3,609			188,550	2,228,873	2 004,409
LAW, JUSTICE AND PUBLIC SAFETY	391,219	165				391,384	356,893
RECREATION AND RESOURCES DEVELOPMENT	127,838	23,396				151,234	149 999
REGULATION OF BUSINESS AND PROFESSIONS	23,043	54				23,097	22 362
TRANSPORTATION		689,265				689,265	648,298
DEBT SERVICE			104,182			104,182	100,191
CAPITAL OUTLAY				77,103		77,103	72,741
TOTAL EXPENDITURES	4,215,258	730,741	104,182	77,103	344,596	5,471,880	5,044,382
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	703,059	3,212	16,788	(70,229)	73,874	726,704	678,768
OTHER FINANCING SOURCES (USES):							
PROCEEDS FROM BOND SALE							113,075
CAPITALIZED LEASE	42					42	
OPERATING TRANSFERS IN	3,212	14,500	644	38,460		56,816	54,998
OPERATING TRANSFERS OUT	(666,268)	(3,212)	(20,400)	(45,333)		(735,213)	(717,991)
TOTAL OTHER FINANCING SOURCES (USES)	(663,014)	11,288	(19,756)	(6,873)		(678,355)	(549,918)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	40,045	14,500	(2,968)	(77,102)	73,874	48,349	128,850
FUND BALANCES, JULY 1	190,234	312,573	5,358	385,402	537,665	1,431,232	1,302 945
EQUITY TRANSFERS	(85)					(85)	(563)
FUND BALANCES, JUNE 30 (Note 2)	$ 230,194	$ 327,073	$ 2,390	$ 308,300	$ 611,539	$ 1,479,496	$ 1,431,232

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1988	JUNE 30, 1987
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 9,373	$ 68,172			$ 77,545	$ 78,200
CONTRIBUTIONS				$ 476,125	476,125	450,239
INVESTMENT INCOME	111,394	6,886	$ 7,197	486,691	612,168	766,930
DISCOUNT AMORTIZATION				86,714	86,714	75,440
OTHER	1,646	5	3,934		5,585	4,201
TOTAL OPERATING REVENUES	122,413	75,063	11,131	1,049,530	1,258,137	1,375,010
OPERATING EXPENSES:						
PERSONAL SERVICES	2,504	11,787			14,291	14,951
CONTRACTUAL SERVICES	4,445	8,610		19,324	32,379	33,847
MATERIALS AND SUPPLIES	215	9,148			9,363	8,652
RENTALS AND INSURANCE	308	3,783			4,091	6,101
INTEREST	101,538	4,962			106,500	95,316
DEPRECIATION AND AMORTIZATION	306	11,329	3		11,638	9,859
BENEFITS	786	18,691		243,993	263,470	235,216
REFUNDS				17,802	17,802	21,751
OTHER	905	2,581	4,781		8,267	6,180
TOTAL OPERATING EXPENSES	111,007	70,891	4,784	281,119	467,801	431,873
OPERATING INCOME	11,406	4,172	6,347	768,411	790,336	943,137
NONOPERATING REVENUES (EXPENSES)	2,230		(12,691)		(10,461)	(3,908)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	13,636	4,172	(6,344)	768,411	779,875	939,229
OPERATING TRANSFERS IN		44	14,073		14,117	27,181
INCOME BEFORE EXTRAORDINARY CHARGES	13,636	4,216	7,729	768,411	793,992	966,410
EXTRAORDINARY CHARGES (Note 3)	(1,192)				(1,192)	(9,724)
NET INCOME/CHANGE IN RETAINED EARNINGS	12,444	4,216	7,729	768,411	792,800	956,686
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFERS IN	50	35			85	3,696
CONTRIBUTED FIXED ASSETS	19	715			734	1,556
CONTRIBUTIONS FROM PRIVATE SOURCES			4,560		4,560	10,323
NET CHANGE IN FUND EQUITY	12,513	4,966	12,289	768,411	798,179	972,261
FUND EQUITY, JULY 1 (Note 2)	101,074	70,442	95,508	5,612,790	5,879,814	4,907,553
FUND EQUITY, JUNE 30	$ 113,587	$ 75,408	$107,797	$ 6,381,201	$ 6,677,993	$ 5,879,814

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1988	JUNE 30, 1987
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
NET INCOME BEFORE EXTRAORDINARY ITEMS	$ 13,636	$ 4,216	$ 7,729	$ 768,411	$ 793,992	$ 966,410
ITEMS NOT PROVIDING/REQUIRING WORKING CAPITAL:						
DISCOUNT AMORTIZATION	1,232			(86,714)	(85,482)	(74,275)
DEPRECIATION AND AMORTIZATION	306	11,329	3		11,638	9,859
MULTIPLIER BOND ACCRETION	5,274				5,274	4,900
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEMS	20,448	15,545	7,732	681,697	725,422	906,894
EXTRAORDINARY ITEMS	(1,192)				(1,192)	(9,724)
WORKING CAPITAL PROVIDED BY OPERATIONS	19,256	15,545	7,732	681,697	724,230	897,170
PROCEEDS FROM SALE OF BONDS	167,871				167,871	172,576
DISPOSAL OF MACHINERY AND EQUIPMENT	5	3,514			3,519	1,469
DECREASE IN LOANS TO OTHER GOVERNMENTS	2,573				2,573	2,863
DECREASE IN MORTGAGE LOANS RECEIVABLE	59,887				59,887	79,255
SALE OF LONG-TERM INVESTMENTS	2,246	503			2,749	403
EQUITY TRANSFERS IN	50	35			85	3,742
CONTRIBUTIONS FROM PRIVATE SOURCES			4,560		4,560	10,323
DECREASE IN RESTRICTED INVESTMENTS						3,664
INCREASE IN CALL PREMIUM PAYABLE						1,979
INCREASE IN LONG-TERM DEBT						68,547
INCREASE IN ADVANCE FROM OTHER FUNDS						1,263
DECREASE IN NON CURRENT RECEIVABLES		631			631	
TOTAL SOURCES OF WORKING CAPITAL	251,888	20,228	12,292	681,697	966,105	1,243,254
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	22,312		16,459	771,460	810,231	665,271
INCREASE IN NONCURRENT RECEIVABLES	139,459				139,459	87,407
INCREASE IN DEFERRED CHARGES	453				453	3,070
ACQUISITION OF FIXED ASSETS	19	18,169	24		18,212	15,116
DECREASE IN LONG-TERM DEBT	55,527				55,527	151,939
EQUITY TRANSFERS OUT						46
DECREASE IN ADVANCE FROM OTHER FUNDS		842			842	
TOTAL USES OF WORKING CAPITAL	217,770	19,011	16,483	771,460	1,024,724	922,849
NET CHANGE IN WORKING CAPITAL	$ 34,118	$ 1,217	$ (4,191)	$ (89,763)	$ (58,619)	$ 320,405
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ (10,731)	$ 12,362	$ (3,148)	$ (106,613)	$ (108,130)	$ 360,783
CASH ON DEPOSIT WITH FISCAL AGENT		214			214	(8,117)
INVESTMENTS						(10,015)
RECEIVABLES	6,420	73	2,381	(30,155)	(21,281)	8,141
INTERFUND RECEIVABLES	4	30	75	(1,871)	(1,762)	5,673
INVENTORIES	(9)	(66)			(75)	(23)
PREPAID EXPENSES		374	1		375	5
WARRANTS PAYABLE	(1,218)	(1,049)	(156)	(10,948)	(13,371)	538
ACCOUNTS PAYABLE AND ACCRUALS	(4,191)	(11,092)	(3,165)	59,824	41,376	(20,859)
INTERFUND PAYABLES	2	(2)	(76)		(76)	(2,163)
NOTES PAYABLE	68	257			325	743
CURRENT PORTION OF LONG-TERM DEBT	43,341				43,341	(24,214)
OTHER	432	116	(103)		445	9,913
NET CHANGE IN WORKING CAPITAL	$ 34,118	$ 1,217	$ (4,191)	$ (89,763)	$ (58,619)	$ 320,405

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	UNRESTRICTED	RESTRICTED	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
REVENUES:				
EDUCATIONAL AND GENERAL:				
TUITION AND FEES	$ 179,584		$ 179,584	$ 163,326
FEDERAL APPROPRIATIONS	13,501		13,501	12,755
LOCAL APPROPRIATIONS	1,510		1,510	1,246
FEDERAL GRANTS AND CONTRACTS	14,135	$ 142,253	156,388	146,686
STATE GRANTS AND CONTRACTS	2,506	22,572	25,078	16,387
LOCAL GRANTS AND CONTRACTS	3,867	3,124	6,991	6,076
PRIVATE GIFTS, GRANTS AND CONTRACTS	4,327	48,651	52,978	51,134
ENDOWMENT INCOME	98	5,635	5,733	5,165
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	34,737		34,737	32,958
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	296,396	3,152	299,548	261,960
OTHER SOURCES	22,746	36	22,782	21,139
TOTAL REVENUES	573,407	225,423	798,830	718,832
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	435,235	54,149	489,384	470,661
RESEARCH	30,643	75,969	106,612	92,424
PUBLIC SERVICE	40,776	46,758	87,534	79,797
ACADEMIC SUPPORT	87,791	5,802	93,593	87,532
STUDENT SERVICES	67,401	2,664	70,065	64,941
INSTITUTIONAL SUPPORT	105,028	3,296	108,324	106,444
OPERATION AND MAINTENANCE OF PLANT	87,866	251	88,117	84,274
SCHOLARSHIPS AND FELLOWSHIPS	10,472	45,996	56,468	50,025
EDUCATIONAL AND GENERAL EXPENDITURES	865,212	234,885	1,100,097	1,036,088
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	6,835		6,835	5,927
ENDOWMENT FUND	206		206	529
LOAN FUND MATCHING GRANT	100		100	79
RESTRICTED CURRENT FUND	(43)		(43)	213
NON-MANDATORY TRANSFERS FOR:				
UNEXPENDED PLANT FUNDS	12,266		12,266	5,228
RENEWALS AND REPLACEMENTS	2,771		2,771	3,361
RETIREMENT OF INDEBTEDNESS	(5,600)		(5,600)	
AUXILIARY ENTERPRISE AND HOSPITALS	(1,629)		(1,629)	(756)
LOAN FUND MATCHING GRANT				299
ENDOWMENT	7,397		7,397	7,380
STATE GENERAL FUND	(606,333)	(14,677)	(621,010)	(594,740)
STATE CHAIRS OF EXCELLENCE TRUST FUND		2,063	2,063	3,176
TOTAL EDUCATIONAL AND GENERAL	281,182	222,271	503,453	466,784
AUXILIARY ENTERPRISES AND HOSPITALS:				
EXPENDITURES	262,171	3,152	265,323	231,851
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	16,200		16,200	14,579
RENEWALS AND REPLACEMENTS	18		18	18
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	2,928		2,928	1,819
UNEXPENDED PLANT FUNDS	2,119		2,119	1,744
EDUCATIONAL AND GENERAL FUNDS	1,629		1,629	756
RETIREMENT OF INDEBTEDNESS	2,550		2,550	6,615
TOTAL AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES AND TRANSFERS	287,615	3,152	290,767	257,382
TOTAL CURRENT EXPENDITURES AND TRANSFERS	568,797	225,423	794,220	724,166
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):				
EXCESS OF RESTRICTED OVER TRANSFER TO REVENUE		17,361	17,361	14,513
INDIRECT COST RECOVERIES		(16,577)	(16,577)	(15,121)
TRANSFERS FROM OTHER FUNDS	116	16	132	5,907
REFUNDED TO GRANTORS		(579)	(579)	(369)
OTHER ADDITIONS (DEDUCTIONS)	5,038	(489)	4,549	6,854
NET INCREASE (DECREASE) IN FUND BALANCES	$ 9,764	$ (268)	$ 9,496	$ 6,450

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	CURRENT FUNDS				
	UNRESTRICTED	RESTRICTED	LOAN	ENDOWMENT AND SIMILAR	LIFE INCOME
REVENUES AND OTHER ADDITIONS:					
EDUCATIONAL AND GENERAL REVENUES	$ 277,011				
AUXILIARY ENTERPRISES AND HOSPITALS	296,396				
GRANTS AND CONTRACTS-RESTRICTED		$227,628	$ 1,429		
GIFTS AND REQUESTS-RESTRICTED		10,774	93	$ 7,867	$ 1,997
REALIZED GAINS ON INVESTMENTS				1,860	197
INTEREST ON LOANS RECEIVABLE			1,124		
INVESTMENT INCOME - RESTRICTED		242	212	13	1,041
ENDOWMENT INCOME		4,082	27	443	
BONDS AND NOTES ISSUED					
RETIREMENT OF INDEBTEDNESS					
EQUIPMENT USE CHARGES					
STUDENT DEBT SERVICE FEES					
EXPENDED FOR PLANT FACILITIES					
OTHER	5,273	134	403	135	
TOTAL REVENUES AND OTHER ADDITIONS	**578,680**	**242,860**	**3,288**	**10,318**	**3,235**
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	865,212	234,885			
AUXILIARY ENTERPRISES EXPENDITURES	262,171	3,152			
INDIRECT COSTS RECOVERED		16,577	1		
REFUNDED TO GRANTORS		579	57		
LOAN CANCELLATIONS AND WRITE-OFFS			662		
ADMINISTRATIVE AND COLLECTION COSTS			371		
EXPENDED FOR PLANT FACILITIES					
RETIREMENT OF INDEBTEDNESS					
INTEREST ON INDEBTEDNESS					
DISPOSAL OF PLANT FACILITIES					
PAYMENTS TO BENEFICIARIES					957
BONDS AND NOTES ISSUED					
OTHER	235	492	505	3,547	1
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**1,127,618**	**255,685**	**1,596**	**3,547**	**958**
TRANSFERS AMONG FUNDS ADDITIONS (DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(23,034)				
LOAN FUND MATCHING GRANT	(100)		100		
ENDOWMENT FUNDS	(207)	5		6,157	(5,955)
RENEWALS AND REPLACEMENTS	(18)				
RESTRICTED CURRENT FUND	44	106		(810)	
NON-MANDATORY:					
RESTRICTED CURRENT FUNDS	40	66		(106)	
ENDOWMENT FUNDS	(7,397)	(8)	(1)	7,506	
LOAN FUNDS	(1)	(5)	6		
UNEXPENDED PLANT FUNDS	(4,178)	(221)			
RENEWALS AND REPLACEMENTS	(5,639)				
RETIREMENT OF INDEBTEDNESS	(7,141)				
STATE GENERAL FUND AND CAPITAL PROJECTS FUND	606,333	14,677			
STATE INTERNAL SERVICE FUND					
STATE CHAIRS OF EXCELLENCE TRUST FUND		(2,063)			
TOTAL TRANSFERS AMONG FUNDS	**558,702**	**12,557**	**105**	**12,747**	**(5,955)**
NET INCREASE (DECREASE) FOR THE YEAR	**9,764**	**(268)**	**1,797**	**19,518**	**(3,678)**
FUND BALANCES, JULY 1	65,107	45,271	42,848	73,464	17,301
FUND BALANCES, JUNE 30	**$ 74,871**	**$ 45,003**	**$ 44,645**	**$ 92,982**	**$ 13,623**

See accompanying Notes to the Financial Statements.

PLANT FUNDS				TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
UNEXPENDED PLANT	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	JUNE 30, 1988	JUNE 30, 1987
				$ 277,011	$ 254,457
				295,396	258,318
$ 10,467		$ 16,291		255,815	215,761
11,079		11	$ 7,217	39,038	23,277
14,091				16,148	3,131
				1,124	1,043
2,311	$ 1,425	5,102		10,346	12,348
		279		4,831	3,765
			22,971	22,971	909
			11,755	11,755	20,293
	4,863	212		5,075	4,510
		5,470		5,470	5,019
102			155,553	155,655	150,775
556	86	79	15,755	22,421	12,959
38,606	6,374	27,444	213,251	1,124,056	966,565
				1,100,097	1,036,087
				285,323	231,851
				16,578	15,007
				636	427
				662	3,246
		12		383	306
98,179	5,123	736		104,038	87,986
		27,845		27,845	18,620
124		19,250	323	19,697	20,387
			9,591	9,591	24,384
				957	1,172
			46,497	46,497	4,543
900	30	5,387	17,674	28,751	22,527
99,203	5,153	53,210	74,085	1,621,055	1,466,643
	(155)	23,189			
	18				
547		113			
		(100)			
4,503		(104)			
(528)	6,167				
	(604)	7,745			
45,333				666,343	635,812
					43
				(2,063)	(3,176)
49,855	5,426	30,843		664,280	632,679
(10,742)	6,647	5,077	139,166	167,281	132,601
50,974	26,019	53,651	1,485,938	1,860,573	1,727,972
$ 40,232	$ 32,666	$ 58,728	$1,625,104	$ 2,027,854	$ 1,860,573

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND AND ALL SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 148,706	$ 148,706	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	41,420	41,420	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	190,126	190,126	
REVENUES:			
TAXES	2,961,500	2,978,724	$ 17,224
LICENSES, FINES, FEES AND PERMITS	41,660	43,407	1,747
INTEREST ON INVESTMENTS	70,835	71,459	624
FEDERAL	1,658,424	1,491,560	(166,864)
DEPARTMENTAL SERVICES	314,137	305,598	(8,539)
OTHER	23,616	27,569	3,953
OTHER FINANCING SOURCES	3,354	3,354	
TOTAL SOURCES OF FINANCIAL RESOURCES	5,263,652	5,111,797	(151,855)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
GENERAL GOVERNMENT			
LEGISLATIVE	12,723	12,248	475
SECRETARY OF STATE	18,316	16,153	2,163
COMPTROLLER	29,379	27,110	2,269
TREASURER	7,368	7,017	351
PUBLIC SERVICE COMMISSION			
GOVERNOR	7,936	4,157	3,779
COMMISSIONS	41,804	39,727	2,077
FINANCE AND ADMINISTRATION	9,223	8,632	591
PERSONNEL	5,469	5,149	320
GENERAL SERVICES	23,073	20,869	2,204
REVENUE	42,936	42,256	680
OTHER GENERAL GOVERNMENT	12,591	8,932	3,659
EDUCATION	1,468,107	1,446,484	21,623
HEALTH AND SOCIAL SERVICES			
VETERANS AFFAIRS	1,483	1,319	164
EMPLOYMENT SECURITY	46,533	39,781	6,752
LABOR	87,379	76,739	10,640
MENTAL HEALTH AND MENTAL RETARDATION	263,900	255,065	8,835
HEALTH AND ENVIRONMENT	1,357,584	1,248,424	109,160
HUMAN SERVICES	483,783	435,223	48,560
LAW, JUSTICE AND PUBLIC SAFETY			
JUDICIAL	60,864	58,661	2,203
CORRECTION	264,238	252,980	11,258
MILITARY	26,204	17,432	8,772
BUREAU OF CRIMINAL INVESTIGATION	13,742	12,159	1,583
SAFETY	59,478	56,556	2,922
RECREATION AND RESOURCES DEVELOPMENT			
AGRICULTURE	14,831	14,087	744
TOURIST DEVELOPMENT	9,661	9,330	331
CONSERVATION	68,490	62,073	6,417
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT	98,306	44,283	54,023
REGULATION OF BUSINESS AND PROFESSIONS			
COMMERCE AND INSURANCE	20,238	19,089	1,149
FINANCIAL INSTITUTIONS	4,102	3,996	106
TRANSPORTATION			
OTHER FINANCING USES	666,453	666,453	
TOTAL USES OF FINANCIAL RESOURCES	5,226,194	4,912,384	313,810
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ 37,458	$ 199,413	$ 161,955

See accompanying Notes to the
Financial Statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 63,492	$ 63,492		$ 212,198	$ 212,198	
249,082	249,082		290,502	290,502	
312,574	312,574		502,700	502,700	
402,229	414,225	$ 11,996	3,363,729	3,392,949	$ 29,220
23,321	35,308	11,987	64,981	78,715	13,734
	2,908	2,908	70,835	74,367	3,532
642,957	250,441	(392,516)	2,301,381	1,742,001	(559,380)
11,198	24,628	13,430	325,335	330,226	4,891
	6,442	6,442	23,616	34,011	10,395
14,600	14,600		17,954	17,954	
1,406,879	1,061,126	(345,753)	6,670,531	6,172,923	(497,608)
			12,723	12,248	475
			18,316	16,153	2,163
			29,379	27,110	2,269
8,402	3,388	5,014	15,770	10,405	5,365
9,959	9,508	451	9,959	9,508	451
			7,936	4,157	3,779
			41,804	39,727	2,077
			9,223	8,632	591
			5,469	5,149	320
			23,073	20,869	2,204
			42,936	42,256	680
			12,591	8,932	3,659
1,400	1,379	21	1,469,507	1,447,863	21,644
			1,483	1,319	164
			46,533	39,781	6,752
			87,379	76,739	10,640
			263,900	255,065	8,835
4,795	3,609	1,186	1,362,379	1,252,033	110,346
			483,783	435,223	48,560
			60,864	58,661	2,203
			264,238	252,980	11,258
			26,204	17,432	8,772
			13,742	12,159	1,583
247	201	46	59,725	56,757	2,968
			14,831	14,087	744
			9,661	9,330	331
			68,490	62,073	6,417
25,141	24,070	1,071	25,141	24,070	1,071
			98,306	44,283	54,023
61	54	7	20,299	19,143	1,156
			4,102	3,996	106
1,382,232	950,652	431,580	1,382,232	950,652	431,580
3,312	3,312		669,765	669,765	
1,435,549	996,173	439,376	6,661,743	5,908,557	753,186
$ (28,670)	$ 64,953	$ 93,623	$ 8,788	$ 264,366	$ 255,578

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1988

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements of the State of Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the College and University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Financial Reporting Entity - For financial reporting purposes the State of Tennessee includes all fund types, account groups, departments and agencies of the state, as well as boards, commissions, authorities, colleges and universities, over which the state's executive, legislative and judicial branches exercise oversight responsibility. This complies with Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Oversight responsibility is defined to include the following considerations:

1. Selection of governing authority;
2. Designation of management;
3. Ability to significantly influence operations;
4. Accountability for fiscal matters;
5. Scope of public service; and/or
6. Special financing relationships.

C. Fund Structure and Basis of Accounting - The financial activities of the state reported in the accompanying statements are classified into four fund categories and two account groups, all described below. The fund categories include governmental funds, proprietary funds, fiduciary funds, and college and university funds. Account groups are presented for general fixed assets and general long-term obligations.

The state's governmental funds include:

1. the General Fund - used to account for all financial transactions not required to be accounted for in other funds;
2. the Special Revenue Funds - used to account for specific revenues earmarked to finance particular or restricted programs and activities;
3. the Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. the Capital Projects Fund - used to account for the acquisition or construction of all major governmental capital facilities.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In accordance with this basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Principal revenue sources accounted for on the modified accrual basis include federal grants ($1.7 billion), departmental services ($332 million) and interest on investments ($74 million). Sales taxes ($2 billion), petroleum and vehicular-related taxes and fees, licenses, gross receipts taxes and other miscellaneous revenue sources are accounted for on the cash basis. Expenditures are recognized at the time fund liabilities are incurred except:

a. Inventories generally are considered expenditures when consumed;
b. Prepayments usually are not recorded; and
c. Interest on long-term debt is recorded when due.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditure.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds include:

1. the Enterprise Funds - used to account for the operations of self-sustaining state agencies providing goods or services to the general public on a user-charge basis; and
2. the Internal Service Funds - used to account for the operations of self-sustaining state agencies providing goods or services to other state agencies on a cost-reimbursement basis.

The proprietary funds are accounted for on the accrual basis. Under this method, revenues are recorded when earned and expenses at the time liabilities are incurred.

The fiduciary funds represent Trust and Agency Funds which are used to account for assets held by the state in a trust or agency capacity. These funds include:

1. the Expendable Trust Funds - used to account for the activities of trusts whose principal and income may be used for purposes of the trust;
2. the Nonexpendable Trust Funds - used to account for the activities of trusts whose income is used to fund the trust purpose but whose principal is to be maintained intact;
3. the Pension Trust Fund - used to account for the activities of the state-administered retirement system; and
4. the Agency Funds - used to account for amounts held in trust for others.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The college and university funds include:

1. Current Funds - used to account for resources that will be expended in the near term for operating purposes of the institutions. These include (a) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and (b) restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university funds are accounted for on the accrual basis of accounting with the following exceptions:

- a. Depreciation expense related to plant fund assets is not recorded; and
- b. Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the term is predominantly conducted.

The account group for general fixed assets is maintained to account for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary, fiduciary, and college and university funds.

The account group for general long-term obligations is maintained to account for general obligation bonds outstanding, accrued annual and compensatory leave, and capital lease obligations not otherwise recorded in proprietary, fiduciary, and college and university funds.

D. Budgetary Process - Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Unencumbered appropriations lapse at the end of each fiscal year. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $56.9 million were required.

The state's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of encumbrance and contract obligations. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP bases is presented in Note 2B. The budgetary comparison statement includes the General Fund and all Special Revenue Funds.

E. Cash and Cash Equivalents - In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements and U. S. Treasury bills, bonds and notes. These investments are stated at cost which at June 30, 1988 approximated market. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. In addition, the state is custodian for other securities, not reported in the accompanying financial statements, which collateralize contractor/vendor performance.

F. Investments - This classification includes long-term investments, principally the Pension Trust Fund portfolio, which are stated at cost or amortized cost aggregating $6.2 billion. At June 30, 1988 the market value of these investments approximated $6.4 billion. Debt securities included in this classification are expected to be held to maturity and redeemed at face value. Investments in the Deferred Compensation Fund are valued at market.

G. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of interest and federal revenues, both recorded when earned. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt; accordingly, most taxes, licenses, fees, permits and similar revenues are recognized on the cash basis. Certain Trust Fund receivables of $78 million, representing taxes and benefit overpayments, have been reduced by a $16 million allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University receivables of $160 million have been reduced by a $37 million uncollectible allowance.

H. Interfund Transactions - The state basically has four types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
4. College and university interfund borrowings. These transactions represent borrowings of a temporary nature and are reported as assets of the college and university fund making the advance and as liabilities of the fund receiving the advance.

The composition of the state's interfund receivables and payables at June 30, 1988 is presented in Note 2F.

I. Advances to Other Funds - Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

J. Inventories - Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

K. Fixed Assets and Depreciation - General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

Enterprise, Internal Service and Nonexpendable Trust Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Structures and Improvements and 5 to 10 years for Machinery and Equipment. Certain state land and buildings, headquartering several proprietary operations, are reported in the General Fixed Assets Account Group at cost or estimated historical cost as described above. Because of the advanced age of the buildings involved, the omission of these fixed assets and related depreciation is not deemed material to financial position or results of operations of the applicable Enterprise and Internal Service Funds.

Generally, College and University Fund fixed assets are stated at cost and are not depreciated. Because of the magnitude of library holdings, however, it has been the state's policy to value library books at a standard amount per volume, currently $20, which approximates cost.

A statement of changes in general fixed assets for the year ended June 30, 1988 is presented in Note 2D.

L. Accumulated Unpaid Vacation and Sick Pay - The state's liability for accumulated unpaid annual and compensatory time is reported in the accompanying General Long-Term Obligations Account Group for all governmental fund types. In the proprietary fund types and the college and university funds, this obligation is reported as a current liability.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the state's policy to record the cost of sick leave only when paid. See Note 6A. for disclosure of the amount of this contingency.

M. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories and petty cash are examples of the former. Reserves for encumbrances, contracts, continuing appropriations and other specific purposes are examples of the latter.

Specific purpose reserves represent current and past legislative appropriations requiring year-end segregation. A summary of the nature and purpose of these reserves at June 30, 1988 by fund type follows (expressed in thousands).

Reserved for Other Specific Purposes	General	Special Revenue	Capital Projects	Trust and Agency	College and University
Capital Outlay			$ 196,947		$ 36,402
Highway Construction		$ 93,264			
Wildlife Resources Program		14,288			
Hazardous Waste Program		7,620			
Criminal Injuries Program		6,151			
Unemployment Benefits				$ 603,630	
Pension Benefits				6,381,201	
Restricted Gifts, Grants and Contracts					174,280
Student Loan Program				17,855	
Higher Education Chairs of Excellence				76,977	
Advances to Other Funds	$ 3,301				
Sewage Treatment Facilities	2,139				
Other Non-Lapsing and Special Revenue Programs	5,013	11,118		10,265	
Totals	$ 10,453	$132,441	$ 196,947	$ 7,089,928	$ 210,682

The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations has been established as protection in the event of future revenue shortfalls or expenditure overruns. The designation for other specific purposes represents the following appropriations made by the Legislature to carry out tentative managerial plans for fiscal year 1989 (expressed in thousands):

Future Appropriations	$ 44,200
Casualty Losses	5,000
Industries for the Blind	263
	$ 49,463

N. Totals (Memorandum Only) - The "Totals (Memorandum Only)" column represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Individual Fund Deficits - Although the following five individual funds have deficit retained earnings/fund balances at June 30, 1988 (expressed in thousands), none of them have a negative fund equity position at that date:

Enterprise Funds		Internal Service Funds		College and University Funds
Federal Property Utilization	State Employees Cafeteria	Building Management	Communications Management	Unrestricted
$ (298)	$ (340)	$ (1,951)	$ (137)	$ (3,147)

Increases in fees and charges for services and products are expected to eliminate deficits in fiscal years 1988 and beyond.

B. **Budgetary Basis vs. GAAP** - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and All Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	General Fund	All Special Revenue Funds
Fund Balances (Budgetary Basis), June 30, 1988	$ 199,413	$ 64,953
Add:		
Reserve for encumbrances and contracts	30,669	168,856
Unbudgeted court fee income	112	
Highway construction appropriations carried forward		93,264
Fund Balances (GAAP Basis), June 30, 1988	$ 230,194	$ 327,073

C. **Fund Equity Restatement** - During fiscal year 1988 the state restated the beginning fund equity of the Tennessee State School Bond Authority, an Internal Service Fund. This change was made to correct an error made in the statements for June 30, 1987.

This change has been reported in the accompanying financial statements by restating beginning fund equity as shown below (expressed in thousands).

	Internal Service Funds	All Fund Types and Account Group Totals (Memorandum Only)
Fund Equity as previously reported June 30, 1987	$ 70,327	$10,098,362
Error in calculating amortization	115	115
Fund Equity as restated June 30, 1987	$ 70,442	$10,098,477

D. **General Fixed Assets** - A statement of changes in general fixed assets for the year ended June 30, 1988 is shown below (expressed in thousands).

	Land	Structures and Improvements	Machinery and Equipment	Construction in Progress	Totals
Balance, July 1, 1987	$ 74,080	$ 662,501	$ 175,269	$ 15,008	$ 926,858
Additions	5,420	25,746	29,329	41,256	101,751
Deductions	(349)	(1,382)	(12,384)	(23,814)	(37,929)
Balance, June 30, 1988	$ 79,151	$ 686,865	$ 192,214	$ 32,450	$ 990,680

E. **Segment Information** - Segment financial information for the state's Enterprise Funds for the year ended June 30, 1988 is presented below (expressed in thousands). These enterprise funds provide the following types of goods or services (in the order shown below): Housing loans, local government loans, sewage treatment loans, insurance, inactive, federal property distribution, and food service.

	Tenn. Housing Develop. Agency	Local Develop. Authority	State Loan Program	Comp. Health Ins.	Housing Rehab. Corp.	Federal Property Utiliz.	State Employ. Cafeteria	Totals
Operating Revenues	$ 106,749	$ 8,604	$ 4,492	$ 1,687	$ 41	$ 553	$ 287	$ 122,413
Depreciation and Amortization	138	140				22	6	306
Operating Income (Loss)	9,848	498	587	658	41	(205)	(21)	11,406
Operating Grants, Entitlements, and Shared Revenues	21,490							21,490
Operating Transfers:								
In		100						100
Out			100					100
Assessments				1,681				1,681
Net Income (Loss)	9,205	598	487	2,339	41	(205)	(21)	12,444
Current Capital:								
Contributions							19	19
Transfers							50	50
Property, Plant and Equipment:								
Additions	14					3	21	38
Deletions						44	32	76
Net Working Capital	134,889	(25,017)	7,666	2,339	607	32	11	120,527
Total Assets	1,263,412	124,211	71,801	2,611	608	306	34	1,462,983
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	1,077,929	53,668	60,590					1,192,187
Total Equity	100,775	3,807	5,832	2,339	607	193	34	113,587

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F. Interfund Accounts - A summary of interfund receivables and payables at June 30, 1988 is shown below (expressed in thousands).

	RECEIVABLES					
		Special Revenue Fund		Enterprise Fund	Internal Service Funds	
PAYABLES	General Fund	Highway	Capital Projects Fund	Federal Property Utilization	Motor Vehicle Management	Employment Security
General				$ 2	$ 4	$ 83
Special Revenue:						
Highway				1	1	
Wildlife Resources Agency						
Driver Education						
Hazardous Waste						
Capital Projects						
Enterprise:						
Housing Development Agency						
Federal Property Utilization						
Internal Service:						
Office of Information Resources	$ 842					
Motor Vehicle Management						
General Services Printing						
Building Management						
Communications Management						
Postal Services						
Trust and Agency:						
Local Government Investment		$ 580	$ 8,761			
Student Assistance Corporation						
Chairs of Excellence						
College and University Funds	395			3	48	
Totals	$ 1,237	$ 580	$ 8,761	$ 6	$ 53	$ 83

RECEIVABLES

Trust and Agency Funds					College and University Funds	Totals
Employee Group Insurance	Student Assistance	Pension Trust	Contingent Revenue	Deferred Compensation		
		$ 2,636	$ 3,860	$ 142		$ 6,727
		412	550	21		985
		51	69	3		123
		1				1
		4	5			9
					$ 459	459
		8	10			18
		2	3			5
		26	35	2		905
		2	4			6
		5	7			12
		2	2			4
		3	3			6
		2	4			6
					66,328	75,669
		2	3			5
	$ 1,554					1,554
$ 152		4,820		55	2,445	7,918
$ 152	$ 1,554	$ 7,976	$ 4,555	$ 223	$ 69,232	$ 94,412

NOTE 3 - NOTES, BONDS AND LEASE OBLIGATIONS PAYABLE

Notes and bonds payable at June 30, 1988 are shown below.

	Amount (in Thousands)	
	Notes	Bonds
Capital Projects Fund:		
General obligation bond anticipation notes, renewable to January 1989, at rates ranging from 3.625% to 5.95%	$ 7,400	
Enterprise Funds:		
General obligation bonds, 4.875% to 7.5%, due in generally decreasing amounts of principal and interest ranging from $7 million in 1989 to $1 million in 2010		$ 63,565
Tennessee Local Development Authority revenue bonds, 1985 Series, 4% to 9.4%, due in decreasing amounts of principal and interest from $6 million in 1989 to $1 million in 2015		54,569
Tennessee Local Development Authority revenue bond anticipation notes, 5.23%, due May 1989	61,432	
Tennessee Housing Development Agency mortgage finance program revenue bonds, various Series, 4.35% to 14%, due in amounts of principal and interest ranging from $131 million in 2008 to $14 million in 2020		1,105,074
	61,432	1,223,208
Internal Service Funds:		
Tennessee State School Bond Authority 1987 refunding revenue bonds, 5.15% to 6.75%, crossover date May 1, 1992, principal and interest due in amounts ranging from $6.5 million in 1994 to $4.4 million in 1989.		68,667
		68,667
General Long-Term Debt:		
General obligation bonds, .1% to 8.4%, due in decreasing amounts of principal and interest from $98 million in 1989 to $6 million in 2007		615,603
College and University Funds:		
Capital outlay notes, 63% of the prime rate, maximum 11%, due serially to 1992	3,628	
Tennessee State School Bond Authority bond anticipation notes, variable daily demand rate, due 1994	58,140	
Tennessee State School Bond Authority revenue bonds, various Series, 4.1% to 9.625%, due in decreasing amounts of principal and interest from $20 million in 1989 to $6 million in 2012		201,378
Tennessee State School Bond Authority 1985 daily demand bonds, maturing to 1999		14,600
Tennessee State School Bond Authority 1985 Tax-Exempt Exchangeable Securities, maturing to 2015		32,395
Non-Authority revenue bonds, 2.75% to 5%, due in generally decreasing amounts of principal and interest from $545 thousand in 1990 to $82 thousand in 2005		5,318
	61,768	253,691
Total Notes and Bonds Payable	$ 130,600	$ 2,161,169

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation notes and bonds listed above. Although the Enterprise Fund general obligation debt is being retired from resources of that fund (State Loan Program Fund), the state remains contingently liable for its payment. The revenue notes and bonds listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Local Development Authority (TLDA), the Tennessee Housing Development Agency (THDA), the Tennessee State School Bond Authority (TSSBA) and the various colleges and universities.

Variable rate daily demand bonds. Included in the College and University Funds revenue bonds is $14.6 million of variable rate daily demand bonds issued by the TSSBA in 1985. The proceeds were used to (1) provide funding for hospital equipment at the University of Tennessee, (2) establish a debt service reserve fund in accordance with the general bond resolution, and (3) pay costs incurred to issue the bonds. The bonds are scheduled to mature on May 1, 1999. However, it is the intent of the University of Tennessee to retire the debt on May 1, 1995.

The University of Tennessee, under a separate agreement with the escrow agent, has deposited monies to fulfill monthly interest requirements prior to the semi-annual payment dates. Under terms of the general bond resolution, these monthly obligations are not recognized as authority transactions until the semi-annual payment dates.

The bonds are subject to purchase by the remarketing agent on the demand of the holder on any business day, pursuant to the conditions set forth in the Official Statement. The remarketing agent, Morgan Guaranty Trust Company of New York, is authorized to use its best efforts to sell the repurchased bonds. Under a standby bond purchase agreement, the commitment to purchase bonds shall terminate on the earlier of (i) January 1, 1990, or (ii) the close of business on the effective date of the conversion of the Bonds to the Fixed Interest Rate. Morgan Guaranty is required to pay the purchase price of the bonds if it is unable to resell any bonds that are "put". The bank, subject to its right to resell such bonds, will hold the bonds until January 1, 1990 at which time the standby bond purchase agreement will be renegotiated. Generally, the interest rate paid to the bank during periods it holds the bonds will be the prime lending rate. The authority is obligated to pay Morgan Guaranty .25% per annum of the daily outstanding balance to maintain the standby liquidity.

The $32.395 million TSSBA Tax-Exempt Exchangeable Securities bond issue above represents (1) $2.495 million of bonds maturing serially through 1993 at interest rates ranging from 6.4% to 7.3%; and (2) $29.9 million of tax-exempt exchangeable securities, maturing in 2015, at 7%, requiring increasing sinking fund payments from 1994 to 2015. Beginning November 1988 and semi-annually thereafter, however, each holder of the 7% securities may exercise a one-time election to convert to another interest rate, not to exceed 10%, as established by an independent municipal securities evaluation service pursuant to a prescribed formula.

Notes. TSSBA notes payable of $58.14 million consist of monies drawn from a changeable annual multiple put security agreement (CHAMPS) with Chemical Bank of New York to fund projects under construction. Under the CHAMPS agreement, the notes may bear interest at a variable rate (daily, weekly, or multiannual) or at a continuously adjustable rate determined by the remarketing agent, Chemical Bank, for periods selected by the authority. Currently, interest is payable monthly at the institution's prime daily lending rate.

The notes are subject to purchase by the remarketing agent on the demand of the holder on any business day pursuant to the conditions set forth in the Official Statement. The remarketing agent is authorized to use its best efforts to sell the repurchased notes. If it is unable to resell any notes that are "put", Fuji Bank, Limited, New York Branch, under the standby note purchase agreement, is required to buy the notes. Fuji Bank, subject to its right to resell the notes, may hold the notes until March 1, 1993 (the note maturity date). It is expected that a portion of these notes will be replaced with bonds at the end of the construction period. The authority is obligated to pay Fuji Bank .1% of the utilized commitment and .05% of the unutilized commitment on a quarterly basis to maintain the standby liquidity.

Notes payable at June 30, 1988 are due within one year except where indicated above. Debt service requirements to maturity for all general obligation and revenue bonds payable at June 30, 1988 are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
1989	$ 64,342	$ 40,212	$ 37,316	$ 113,321	$ 255,191
1990	64,417	36,670	40,970	111,662	253,719
1991	61,912	33,206	43,580	108,679	247,377
1992	57,272	29,796	47,330	105,388	239,786
1993	50,926	26,696	51,582	101,884	231,088
1994-1998	197,515	91,842	274,758	449,445	1,013,560
1999-2003	117,655	42,787	298,416	363,401	822,259
2004-2008	62,569	9,795	311,481	362,470	746,315
2009-2013	2,560	291	204,349	471,559	678,759
2014-2018			124,879	211,507	336,386
2019-2020			31,557	2,530	34,087
	$ 679,168	$ 311,295	$1,466,218	$2,401,846	$ 4,858,527

The above principal for revenue bonds is less than that presented on the accompanying financial statements by $15,783. This presents accretion to date of interest on municipal multiplier bonds and the write-off of discounts in these years preceding the first principal payment on these bonds.

In prior years, the TLDA defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are included in the State's financial statements in an agency fund, but are not recorded as assets or liabilities of TLDA. On June 30, 1988, $36.666 million of bonds outstanding are considered defeased.

Debt Refunding. Proceeds of the $70.686 million TSSBA 1987 refunding bond issue were placed in irrevocable trusts for the redemption of the outstanding bonds of the 1983 Series A issue maturing after May 1, 1992. This issue represents an advance refunding investment through May 1, 1992, during which time both issues will be reported in State's financial statements. In the crossover year, the proceeds from this investment will be used to retire all the outstanding 1983 Series A bonds. The refunding was to take advantage of lower interest rates in effect at the time of the transaction. The cumulative savings to the authority and to the educational institutions resulting from the refunding were $22.186 million for the refunding of $65.975 million of the 1983 Series A Bonds maturing after May 1, 1992. (The net present value savings of the refunding was $8.827 million.) During the period prior to defeasance, the educational institutions will continue to provide funds necessary to meet the debt service requirements of the refunded issue. Interest earnings from the investment will be used to satisfy the debt requirement of the refunding issue during this period. Earnings in excess of such requirement will be deposited in a special reserve account and will be applied to meet applicable call premiums. Proceeds of the $70.686 million 1987 refunding bond issue were invested in United States Treasury Notes - State and Local Government Series maturing May 1, 1992.

A summary of changes in general long-term obligations for the year ended June 30, 1988 follows (expressed in thousands).

	Balance, July 1, 1987	General Obligation Bonds Retired	Other Changes in General Long-Term Obligations	Balance, June 30, 1988
Amount available in Debt Service Fund	$ 1,458		$ 932	$ 2,390
Amount to be Provided for Retirement of Long-Term Debt	678,262	$ (64,117)	(932)	613,213
General Obligation Debt Payable	679,720	(64,117)		615,603
Accrued Annual and Compensatory Leave	84,577		7,121	91,698
Capital Lease Obligations	40		2	42
Total General Long-Term Obligations	$ 764,337	$ (64,117)	$ 7,123	$ 707,343

Bond sales during the year ended June 30, 1988 included the following issues:

July 1987 - THDA revenue bonds of $85 million.
February 1988 - THDA revenue bonds of $85 million.

The July 1987 $85 million THDA bond issue above represents (1) $12.91 million of bonds maturing serially through 2000 at interest rates ranging from 5.3% to 6.9%; and (2) $72.09 million of term bonds due 2016 and 2019, carrying interest rates ranging from 7.9% to 8.5%.

The February 1988 $85 million THDA bond issue above represents (1) $16.345 million of bonds maturing serially through 2002 at interest rates ranging from 5.25% to 7.5%; and (2) $68.655 million of term bonds due as follows: $8.5 million at 7.65% due 2006, $33 million at 7.825% due 2015, and $27.155 million at 8.37% due 2019.

Extraordinary items - loss on extinguishment of debt, are as follows:

THDA bonds payable were retired before maturity in the Single Family Program Bonds in the amount of $60.268 million and in the Homeownership Program bonds in the amount of $8.345 million. The carrying values of those bonds were $59.206 million and $8.215 million, respectively. This resulted in losses to the respective bond groups of

$1.062 million and $130 thousand. Prepayments of mortgage loans and unexpended bond proceeds were used to effect the bond retirements.

Under the bond resolutions, the Agency has the option to redeem bonds at an initial price of 103 percent and subsequently at prices declining to par. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for ten years. Certain special redemption options, as governed by the bond resolutions, are permitted prior to that time.

The bonds are secured, as described in the applicable bond resolutions, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the resolutions.

Subsequent to June 30, 1988, THDA completed a revenue bond sale in July for $75 million, in October for $99.775 million, and in December for $74.944 million.

A summary of general obligation bonds authorized and unissued at June 30, 1988 is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be cancelled because of sufficient fund balances.

Purpose	Unissued July 1, 1987	Authorized	Cancelled	Unissued June 30, 1988
Sewage Treatment	$ 20,680			$ 20,680
Waterworks	31,520			31,520
Highway	342,600	$ 31,800	$ 21,900	352,500
Education	10,179	55,316		65,495
Correction	26,865	471		27,336
General Services	15,000			15,000
General Government	20,367	34,340	5,900	48,807
Other	6,589	8,873		15,462
Totals	$ 473,800	$ 130,800	$ 27,800	$ 576,800

Lease obligations for facilities and equipment are payable from resources of the General and College and University Funds. Debt service requirements to maturity for all capital lease obligations payable at June 30, 1988 are as follows (expressed in thousands):

For the Year(s) Ended June 30	Lease Obligations Payable
1989	$ 943
1990	933
1991	847
1992	782
1993	362
1994-1997	669
Total	4,536
Less - Interest (4.2% to 15.25%) and executory costs	794
	$ 3,742

NOTE 4 - PENSION PLANS

A. Tennessee Consolidated Retirement System - The Tennessee Consolidated Retirement System (TCRS) is a defined benefit, agent multiple-employer public employee retirement system. Members of the system consist of teachers and general employees of the state, higher education employees and employees of participating political subdivisions. The State of Tennessee is responsible for the retirement benefits of state employees, higher education employees and teachers, while participating political subdivisions are responsible for the retirement benefits provided their employees.

Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. At June 30, 1988 the number of participating local government employers and the TCRS membership was:

Cities	105
Counties	80
Other	80
Total	265

Retirees and beneficiaries currently receiving benefits	49,598
Terminated members entitled to benefits but not yet receiving them	4,416
Current members:	
Vested	78,660
Nonvested	77,423
Total	210,097

The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 10 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system on or after July 1, 1979 become vested after 10 years of service, and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

Effective July 1, 1981 the retirement system became noncontributory for most state and higher education employees. Political subdivisions may elect contributory or noncontributory retirement for their employees. The contribution rate is 5 percent of gross salary for teachers and contributory employees of political subdivisions. In addition, the employers contribute a set percentage of their payroll determined by an actuarial valuation. State statute provides that the contribution rates be adopted by the Board of Trustees of the TCRS.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the funding status of the TCRS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the system.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1987 and an actuarial update performed at June 30, 1988. Significant actuarial assumptions used include (a) a rate of return on investment of present and future assets of 8 1/2 percent per year compounded annually, (b) projected salary increases of 8 percent per year compounded annually, (c) a projected 6 percent annual increase in the Social Security wage base, and (d) projected post retirement benefit increases of 3 percent of the retiree's initial benefit.

At June 30, 1988 the net assets exceeded the pension benefit obligation by $5.1 million as follows (in millions):

	STATE	POLITICAL SUB-DIVISIONS	TOTAL
Pension benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 2,203.5	$ 245.2	$ 2,448.7
Current employees:			
Accumulated employee contributions including allocated investment earnings	1,046.9	176.0	1,222.9
Employer-financed vested	2,341.8	248.5	2,590.3
Employer-financed nonvested	99.0	15.2	114.2
Total pension benefit obligation	$ 5,691.2	$ 684.9	$ 6,376.1
Net assets available for benefits at cost or amortized cost (market value is $6,541.8)	5,631.1	750.1	6,381.2
Unfunded (Assets in excess of) pension benefit obligation	$ 60.1	$ (65.2)	$ (5.1)

It is the policy of the State to fund pension benefits by actuarily determined contributions which are intended to provide funding for both the normal liability cost and the unfunded actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. The employer contributions include funding for a cost-of-living provision and amortization of the accrued liability using the level dollar contribution method over a 40 year period which began in 1975. A 30 year amortization period is used for political subdivisions joining the system after June 30, 1983.

For the year ended June 30, 1988 contributions totaling $456.7 million were made in accordance with contribution requirements determined through an actuarial valuation performed at June 30, 1985. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above. The State contributed $339.5 million (13.8 percent of current covered payroll) to the plan and state employees and teachers contributed $63.3 million (2.6 percent of current covered payroll). The covered payroll for employees by the TCRS for whom the state is responsible for the year ended June 30, 1988 was $755.7 million for state employees, $454.8 million for higher education employees and $1,245.8 million for teachers. Total payroll for the state employees was $973.7 million, and $739.1 million for higher education employees. Political subdivisions contributed $34.2 million to the plan and employees of political subdivisions contributed $19.7 million. These contributions consisted of (a) $207.4 million normal cost (8.4 percent of current covered payroll) and (b) $195.4 million amortization of the unfunded actuarial accrued liability (8.0 percent of current covered payroll).

The actuarial valuation performed as of June 30, 1987 calculated contribution requirements for the State and for political subdivisions. These actuarially computed contribution rates became effective July 1, 1988.

Trend information designed to give an indication of the progress made by the state in accumulating sufficient assets to pay benefits when due is presented below (expressed in millions):

Fiscal Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) - (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) - (5)
1987	$ 4,952.8	$ 5,216.7	94.9%	$ 263.9	$ 2,329.5	11.3%
1988	5,631.1	5,691.2	98.9%	60.1	2,456.3	2.4%

Historical trend information for the retirement system as a whole is presented in the TCRS comprehensive annual financial report for the year ended June 30, 1988. Revenue and expense trend information for the total retirement system is provided in this report as supplementary information.

B. Other than TCRS - Eligible faculty of the various state universities and community colleges may elect to become members of either TIAA-CREF, a privately-administered defined contribution retirement plan, or the TCRS. The state assumes no liability for this group of TIAA-CREF members other than payment of contributions. During the year ended June 30, 1988 the state contributed $19.3 million to the TIAA-CREF plan.

A second, now-closed group of University of Tennessee faculty also participates in TIAA-CREF with certain supplemental benefits guaranteed by the state. Prior to 1978 these guaranteed benefits were funded by the university on a pay-as-you-go basis; they since have been assumed by the TCRS and are included in the June 30, 1988 actuarial calculations disclosed in A. above.

C. Deferred Compensation - The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401 (k). All costs of administering and funding these programs are the responsibility of plan participants.

Section 457 plan balances have been reported in the accompanying financial statements in an Agency Fund at June 30, 1988. All amounts of compensation deferred under this plan, all property purchased with those amounts, and all income attributable thereto are, until paid or made available to the employee or other beneficiary, solely the property of the state, subject only to claims of the state's general creditors. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of their deferred accounts. The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state believes it is unlikely that it will use these assets to satisfy such claims in the future.

Since Section 401(k) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. Through June 30, 1988 some $60.7 million, including accumulated interest earnings, had been contributed by participating state employees to those financial institutions administering the plan's various investment options.

D. Post Retirement Health Insurance Benefits - The state offers an opportunity to its employees and eligible retirees to participate in a self-insured indemnity policy or health maintenance organizations. The indemnity policy provides benefits to plan participants in a comprehensive, major medical format involving a $150 calendar year deductible and a $1,000 per individual out-of-pocket limit. The plan incorporates typical provisions relating to utilization review, medical necessity, pre-existing conditions, coordination of benefits and subrogation of expenses. The plan offers benefit incentives for the use of designated providers and the plan maintains limitations on benefits provided for the treatment of mental illness and substance abuse.

Retirees who are not yet eligible for Medicare benefits may continue participation in the Plan subject to certain length of service and participation requirements. Upon Medicare eligibility, the retiree is afforded the opportunity to participate in a fully-insured supplement policy not associated with the Plan.

The funds collected for the Plan's operation are recorded in the employee group insurance account. The plan's premiums are intended to fund benefits on a pay-as-you-go basis and no specific reserves have been established to fund post retirement health benefits. Current retiree premium rates are approximately 50 percent of the plan's total premium rates; the state provides no direct funding of post retirement health benefits.

During the 1987-88 fiscal year, the plan provided approximately $5.5 million in benefits to retired employee participants.

NOTE 5 - DEPOSITS AND INVESTMENTS

A. Investment Policy - The Pooled Investment Fund administered by the State Treasurer is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that Board gives the Treasurer approval to invest in collateralized certificates of deposit in state depositories, bonds, notes and bills of the United States Treasury or other obligations guaranteed as to principal and interest by the United States or any of its agencies and in repurchase agreements for obligations of the United States or its agencies which are fully guaranteed as to principal and interest by the United States. This resolution states further that except for short term distortions created by unexpected system withdrawal and as otherwise provided in this section, maturities of the State Pooled Investment Fund shall not exceed one year. Provided however, an amount not to exceed the lesser of $150 million or twenty percent (20%) of the book value of the State Pooled Investment Fund at the time such investments are made, may be invested in maturities greater than one year but not greater than five years.

Statutes require that collateral have a face value of one hundred ten percent (110%) of the value of the state deposit secured thereby and a market value of one hundred percent (100%) of the value of the state deposit secured thereby less so much of such amount as is protected by the federal deposit insurance corporation or the federal savings and loan insurance corporation. Certificates of deposit are not placed or renewed with a financial institution until adequate collateral is pledged. Open accounts maintained for deposit of state revenues are collateralized on an estimate of the average daily balance in the account based on previous balances and monitored for variation to actual balances.

The Treasurer is required, by statute, to evaluate the market value of required collateral monthly, and more frequently if market conditions require. Further, statutes provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency.

The following funds also make investments following these same basic guidelines: colleges and universities, Tennessee State School Bond Authority, Local Development Authority, and Tennessee Housing Development Agency. The Pension Fund, in addition to the guidelines outlined for the Pooled Investment Fund, may invest in long-term investments. The Pension Fund may invest in bonds, debentures, preferred stock and common stock, and other good and solvent securities subject to the Pension Board of Trustees approval. The Board has also authorized limited investments of securities in some foreign countries.

B. Deposits - The Governmental Accounting Standards Board (GASB) Statement 3 requires deposits with Financial Institutions to be categorized to indicate the level of risk assumed by the state as defined in GASB Statement 3. Category 1 consists of deposits that are insured or collateralized with securities held by the State or by its agent in the state's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the state's name. Category 3 deposits are uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the state's name.

At year end, the carrying amount of deposits in all funds except colleges and universities was $655.454 million and the bank balance, including accrued interest, was $675.242 million. Of the bank balance, $673.988 million was (category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's name, $432 thousand was (category 2) held by an agent in the state's name, and $822 thousand was (category 3) uninsured and uncollateralized. The carrying value of deposits includes $1.55 million of long-term certificates of deposit. In addition, $281 thousand of cash on deposit with fiscal agent is shown as long-term investments.

At year end, the carrying amount of deposits for colleges and universities was $125.387 million and the bank balance was $143.587 million. Of the bank balance, $135.191 million was (Category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's name, $3.790 million was (category 2) held by an agent in the state's name, and $4.606 million was uninsured and uncollateralized. The carrying value of deposits includes $53.368 million of long-term certificates of deposit. In addition, $26.205 million of cash on deposit with fiscal agent is shown as long-term investments.

C. Investments - The Governmental Accounting Standards Board Statement 3 also requires investments to be categorized to indicate the level of risk assumed by the state. Category 1 consists of investments that are insured or registered or for which the securities are held by the state or its agent in the state's name. Category 2 consists of uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the state's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the state's name. Investments are categorized below for all funds except the colleges and universities (Expressed in thousands):

PENSION TRUST, POOLED INVESTMENT, TENNESSEE HOUSING DEVELOPMENT AGENCY AND OTHER FUNDS

	Category			Carrying Amount	Market Value 6/30/88
	1	2	3		
Short-Term Investments					
Commercial Paper	$ 657,454			$ 657,454	$ 658,319
Repurchase Agreements	481,945		$ 177	482,122	482,122
Government Securities	873,103			873,103	870,138
Corporate Notes	41,019			41,019	41,007
Total Short-Term Investments	2,053,521		177	2,053,698	2,051,586
Long-Term Investments					
Domestic Securities					
Government Securities	1,994,898	$ 280		1,995,178	2,008,096
Corporate Bonds	1,473,583			1,473,583	1,435,512
Corporate Stocks	1,888,179			1,888,179	2,080,130
Mortgages	2,452			2,452	2,222
Other	7,769			7,769	7,769
International Securities					
Government Bonds	210,410			210,410	203,217
Corporate Bonds	90,644			90,644	90,729
Corporate Stocks	331,909			331,909	320,397
American Depository Receipts	2,809			2,809	4,000
Currency Gain					10,238
Total Long-Term Investments	6,002,653	280		6,002,933	6,162,310
	$8,056,174	$ 280	$ 177	8,056,631	8,213,896
Investments in Deferred Compensation				36,641	36,641
Unemployment Compensation Pool in Washington, D.C.				550,248	550,248
Total Investments				$8,643,520	$8,800,785

The investments for the colleges and universities are categorized below (Expressed in thousands):

	Category			Carrying Amount	Market Value 6/30/88
	1	2	3		
Short-Term Investments					
Repurchase Agreements	$ 35,000	$ 4,800	$ 405	$ 40,205	$ 40,269
Government Securities	64,106	383	20	64,509	64,705
Other	3			3	3
Total Short-Term Investments	99,109	5,183	425	104,717	104,977
Long-Term Investments					
Domestic Securities					
Government Securities	59,138	36,160	1,530	96,828	97,907
Corporate Bonds	11,959	56	678	12,693	12,313
Corporate Stocks	35,940	2,286	481	38,707	44,992
Mortgages	668			668	647
Other		507		507	537
Real Estate	3,326			3,326	3,326
International Securities					
Government Bonds	573			573	558
Corporate Stocks	1,835			1,835	2,154
Total Long-Term Investments	113,439	39,009	2,689	155,137	162,434
Total Investments	$ 212,548	$ 44,192	$ 3,114	$ 259,854	$ 267,411

NOTE 6 - COMMITMENTS AND CONTINGENCIES

A. Sick Leave - It is the state's policy to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 1988. The estimated accumulated amount of unused sick leave at that date was $394 million.

B. Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1988 and 1987 amounted to $27.9 million and $27.1 million, respectively.

C. Highway Construction Projects - At June 30, 1988 the Department of Transportation had contractual commitments of approximately $157 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($117 million) and general obligation bond proceeds ($40 million).

D. Litigation - The most significant recent litigation against the state is a case involving inadequate prison facilities. Relief granted by the court enables the state to remedy these conditions over an extended period of time. The flexibility allowed by the court will permit the state to carry out the remedial plan without material adverse impact on the state's financial position. The state is also party to numerous other legal proceedings, many of which normally recur in governmental operations. In the opinions of the Attorney General and General Counsel for the University of Tennessee system, final settlement of these matters will have no material effect on the accompanying financial statements.

E. Federal Grants - The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F. Loan Guarantees - The Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund entity, guarantees loans made to students. The U. S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 1988 TSAC was guarantor of $603 million in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these student loan guarantees in the event of default.

G. Other - The state has custodial responsibility over some $62 million of U.S. Department of Agriculture food stamp coupons for which the state is liable in the event of loss.

NOTE 7 - SUBSEQUENT EVENTS

A. Bonds - The state has sold some $250 million of revenue bonds subsequent to June 30, 1988. The date of the sales and the amounts are disclosed in note 3.

B. Other - Effective July 1, 1988, the General Assembly has created a grant program to local housing agencies to promote more affordable new housing units for very low, low, and moderate income individuals and families. Monies for this program will be made available from Real Estate Transfer Taxes, Mortgage Taxes, and all funds of Tennessee Housing Development Agency (THDA) which are not necessary to support bond and note obligations and which can be withdrawn from the specific funds of the various bond resolutions as provided under those resolutions and investment income from such funds. Approximately $53 million will be transferred from THDA's general fund to the assets fund created under the grant program.

Combining and Individual Fund Financial Statements

General Fund

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Budgetary Procedures and Control

In many respects Tennessee is similar to other states regarding the process leading to adoption of the annual budget. Utilizing zero-based budgeting concepts, the executive branch prepares a budget which is the result of a series of intradepartmental budget meetings and executive budget hearings. The executive budget is based on estimates of all available revenue sources.

The executive budget is presented to the legislature at the beginning of each annual session. The legislature conducts budget hearings through its Finance, Ways and Means committees. Each committee recommends a version of the Appropriation Act to its respective body for passage. Included in the Appropriation Act is the funding level for each department. After passage by each chamber, differences between the two versions, if any, are resolved in conference committee. The final version is passed by both houses and sent to the Governor for approval. Before signing the Appropriation Act, the Governor may veto or reduce any specific appropriation item. These adjustments are subject to being overridden by the legislature.

Once the final budget is passed and signed, it becomes the financial plan for the coming year's activities. A quarterly work program detailing anticipated revenues by source and expenditures by object is then developed for each organizational entity. The work program is entered into the state's centralized accounting system. The budgetary-accounting integration and the resulting periodic reports facilitate both management control and legislative overview of the state's financial operations. Any deviation from the funding levels as specified in the Appropriation Act must receive prior approval from both the appropriate executive decision-makers and the Finance, Ways and Means committees. Thus, there is a continuing interaction between the executive and legislative branches on budgetary matters.

Constitutional Spending Limitation

Tennessee was the first state to adopt a constitutional spending limitation. This was not a response to any spending or taxing excesses but was a public endorsement of the state's long standing record of sound fiscal management.

The March 1978 amendment to the Constitution limited the growth in spending by state government to the rate of growth exhibited by the state's economy. The legislature was directed to establish some measure of economic growth from which the permitted growth in spending could be calculated. Estimated growth in personal income was the measure so established.

The 1988-89 budget is the state's tenth budget to be prepared and enacted since passage of the spending limitation. The total budget is well within the statutory limit enacted to carry out the constitutional mandate. Although the effect of the constitutional spending limitation cannot be evaluated until it has been operative for a period of years, it is apparent that the long-term impact of the amendment on the continued operations and growth of state government could be substantial.

STATE OF TENNESSEE
BALANCE SHEET
GENERAL FUND
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	JUNE 30, 1988	JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 388,833	$ 352,969
RECEIVABLES:		
DUE FROM OTHER GOVERNMENTS	201,278	164,761
INTEREST	35,878	35,500
OTHER	9,209	548
INTERFUND RECEIVABLES (Note 2)	1,237	878
ADVANCES TO OTHER FUNDS	3,301	4,281
PREPAYMENTS	2,171	
TOTAL ASSETS	$ 641,907	$ 558,937
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 58,739	$ 54,469
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	255,564	230,764
ACCRUED PAYROLL AND RELATED DEDUCTIONS	22,120	20,893
INTERFUND PAYABLES (Note 2)	6,727	5,974
DEFERRED REVENUE	68,486	56,530
DEPOSITS PAYABLE	77	73
TOTAL LIABILITIES	411,713	368,703
FUND BALANCE (Notes 1 and 2):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	30,669	41,420
RESERVED FOR CONTINUING APPROPRIATIONS	42,797	36,807
RESERVED FOR OTHER SPECIFIC PURPOSES	10,453	9,590
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	96,800	75,000
DESIGNATED FOR OTHER SPECIFIC PURPOSES	49,463	5,263
UNDESIGNATED	12	22,154
TOTAL FUND BALANCE	230,194	190,234
TOTAL LIABILITIES AND FUND BALANCE	$641,907	$558,937

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1988	JUNE 30, 1987
REVENUES:		
TAXES	$2,978,724	$2,758,919
LICENSES, FINES, FEES AND PERMITS	43,407	42,166
INTEREST ON INVESTMENTS	71,459	70,184
FEDERAL	1,491,560	1,329,454
DEPARTMENTAL SERVICES	305,598	274,763
OTHER	27,569	8,712
TOTAL REVENUES	4,918,317	4,484,198
EXPENDITURES:		
GENERAL GOVERNMENT	190,532	179,752
EDUCATION	1,445,912	1,367,426
HEALTH AND SOCIAL SERVICES	2,036,714	1,821,696
LAW, JUSTICE AND PUBLIC SAFETY	391,219	356,637
RECREATION AND RESOURCES DEVELOPMENT	127,838	126,524
REGULATION OF BUSINESS AND PROFESSIONS	23,043	22,341
TOTAL EXPENDITURES	4,215,258	3,874,376
EXCESS OF REVENUES OVER EXPENDITURES	703,059	609,822
OTHER FINANCING SOURCES (USES):		
CAPITALIZED LEASE	42	
OPERATING TRANSFERS FROM (TO):		
SPECIAL REVENUE FUNDS	3,212	(13,525)
DEBT SERVICE FUND	(644)	17,685
CAPITAL PROJECTS FUND	(32,560)	10,188
ENTERPRISE FUNDS		(1,000)
NONEXPENDABLE TRUST FUND	(12,010)	(26,181)
COLLEGE AND UNIVERSITY FUNDS	(621,010)	(600,816)
INTERNAL SERVICE FUNDS	(44)	
TOTAL OTHER FINANCING USES	(663,014)	(613,649)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	40,045	(3,827)
FUND BALANCE, JULY 1	190,234	194,624
EQUITY TRANSFERS (TO):		
INTERNAL SERVICE FUNDS	(35)	(476)
ENTERPRISE FUNDS	(50)	(87)
FUND BALANCE, JUNE 30 (Note 2)	$ 230,194	$ 190,234

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FOR THE YEAR ENDED	
REVENUES BY SOURCE	JUNE 30, 1988	JUNE 30, 1987
TAXES:		
SALES AND USE	$2,012,299	$1,875,700
GASOLINE	4,178	4,085
MOTOR VEHICLE REGISTRATION	9,744	6,662
INCOME	51,769	44,992
PRIVILEGE	48,378	59,907
GROSS RECEIPTS	115,843	113,325
BEER	8,548	8,351
ALCOHOLIC BEVERAGE	23,205	23,540
MIXED DRINK	11,218	10,769
FRANCHISE	147,782	135,213
EXCISE	275,143	221,704
INHERITANCE AND ESTATE	33,484	31,757
TOBACCO	83,298	81,777
COIN-OPERATED AMUSEMENT	1,366	1,395
BUSINESS	10,652	9,580
INSURANCE COMPANIES PREMIUM	116,649	120,035
RETALIATORY	4,148	3,297
WORKER'S COMPENSATION PREMIUM	15,756	
OTHER	6,264	6,830
	2,978,724	2,758,919
LICENSES, FINES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	4,874	4,774
DRIVERS LICENSES	12,127	12,184
ARRESTS, FINES AND FEES	5,040	4,617
REGULATORY BOARD FEES	8,972	9,201
OTHER	12,394	11,390
	43,407	42,166
INTEREST ON INVESTMENTS	71,459	70,184
FEDERAL - EARNED BY STATE DEPARTMENTS	1,491,560	1,329,454
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	90,167	84,804
INTERDEPARTMENTAL CHARGES	186,469	166,980
CHARGES TO CITIES, COUNTIES, ETC.	28,962	22,979
	305,598	274,763
OTHER	27,569	8,712
TOTAL REVENUES BY SOURCE	$4,918,317	$4,484,198

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

EXPENDITURES BY FUNCTION AND DEPARTMENT	FOR THE YEAR ENDED JUNE 30, 1988	JUNE 30, 1987
GENERAL GOVERNMENT		
LEGISLATIVE	$ 12,180	12,374
SECRETARY OF STATE	16,070	13,835
COMPTROLLER	27,066	25,863
TREASURER	7,017	6,450
GOVERNOR	4,157	3,069
COMMISSIONS	39,671	39,707
FINANCE AND ADMINISTRATION	8,592	7,586
PERSONNEL	5,009	5,182
GENERAL SERVICES	20,639	19,051
REVENUE	41,246	37,346
OTHER	8,885	9,289
	190,532	179,752
EDUCATION	1,445,912	1,367,426
HEALTH AND SOCIAL SERVICES		
VETERANS AFFAIRS	1,319	1,264
EMPLOYMENT SECURITY	39,781	36,069
LABOR	76,739	68,264
MENTAL HEALTH AND MENTAL RETARDATION	254,066	243,797
HEALTH AND ENVIRONMENT	1,229,586	1,057,468
HUMAN SERVICES	435,223	414,834
	2,036,714	1,821,696
LAW, JUSTICE AND PUBLIC SAFETY		
JUDICIAL	58,652	53,915
CORRECTION	251,250	227,017
MILITARY	17,384	15,589
BUREAU OF CRIMINAL INVESTIGATION	9,937	10,396
SAFETY	53,996	49,720
	391,219	356,637
RECREATION AND RESOURCES DEVELOPMENT		
AGRICULTURE	14,054	14,234
TOURIST DEVELOPMENT	9,058	10,582
CONSERVATION	60,513	60,128
ECONOMIC AND COMMUNITY DEVELOPMENT	44,213	41,580
	127,838	126,524
REGULATION OF BUSINESS AND PROFESSIONS		
COMMERCE AND INSURANCE	19,055	18,583
FINANCIAL INSTITUTIONS	3,988	3,758
	23,043	22,341
TOTAL EXPENDITURES BY FUNCTION AND DEPARTMENT	$4,215,258	$3,874,376

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1988	FOR THE YEAR ENDED JUNE 30, 1987
PERSONAL SERVICES	$ 654,756	$ 632,084
EMPLOYEE BENEFITS	161,224	150,813
TRAVEL	30,188	28,818
PRINTING, DUPLICATING AND FILM PROCESSING	11,614	11,978
UTILITIES AND FUEL	31,230	29,158
COMMUNICATION AND SHIPPING COSTS	27,598	27,788
MAINTENANCE, REPAIRS AND SERVICES	18,063	16,978
PROFESSIONAL AND ADMINISTRATIVE SERVICES	269,348	220,886
SUPPLIES	139,042	133,660
RENTALS AND INSURANCE	34,345	32,270
MOTOR VEHICLE OPERATION	4,853	4,253
AWARDS AND INDEMNITIES	6,051	5,098
GRANTS AND SUBSIDIES	2,794,523	2,547,247
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	18,195	12,877
EQUIPMENT	12,868	18,615
LAND	47	35
BUILDINGS	588	1,469
IMPROVEMENTS OTHER THAN BUILDINGS	725	349
TOTAL EXPENDITURES BY OBJECT	$ 4,215,258	$ 3,874,376

See accompanying Notes to the Financial Statements.

Special Revenue Funds

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. Effective July 1, 1986 the Department of Transportation began earning interest on the monies for a new highway construction program, while the General Fund earns the interest on the other highway program monies.

Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Public Service Commission - The commission is responsible for executing and enforcing all statutes governing railroads, utilities and motor carriers. They also assess these groups for ad valorem taxes. Revenues are derived principally from filing and inspection fees.

Criminal Injuries Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $10,000, to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Other Special Revenue Funds - There are five agencies included in this group, as follows:

1. Abandoned Land Program - This program is administered by the Department of Health and Environment. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations;
2. Driver Education - This program is designed and coordinated by the Departments of Education and Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The $2 fee for moving traffic violations is the source of funding for this program;
3. Hazardous Waste - This program is administered by the Department of Health and Environment. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities;
4. Regulatory Boards - This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers, affiliate real estate brokers, or auctioneers. These revenues are used to pay court judgments for violations by brokers or auctioneers of the applicable acts or of any rules promulgated by the appropriate officials;
5. Drunk Drivers Victim Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $2,000, to victims (or their dependents) who suffer personal injury or death as a result of operator's intoxication. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 327,901	$ 17,351	$ 3,500	$ 6,708	$ 15,976	$ 371,436	$ 365,101
RECEIVABLES	27,566	2,208	641		24	30,439	27,433
INTERFUND RECEIVABLES (Note 2)	580					580	1,229
INVENTORIES, at cost	4,381					4,381	5,368
TOTAL ASSETS	$ 360,428	$ 19,559	$ 4,141	$ 6,708	$ 16,000	$ 406,836	$ 399,131
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 5,296	$ 655	$ 195	$ 356	$ 102	$ 6,604	$ 17,164
ACCOUNTS PAYABLE AND ACCRUALS	59,269	939	116	201	920	61,445	50,247
INTERFUND PAYABLES (Note 2)	985	123			10	1,118	1,050
ADVANCE FROM OTHER FUNDS		2,880				2,880	3,018
DEFERRED REVENUE	203					203	7,754
DEPOSITS PAYABLE	7,512		1			7,513	7,325
TOTAL LIABILITIES	73,265	4,597	312	557	1,032	79,763	86,558
FUND BALANCES (Notes 1 and 2):							
RESERVED FOR INVENTORIES	4,381					4,381	5,368
RESERVED FOR ENCUMBRANCES AND CONTRACTS	168,123	674	23		36	168,856	157,578
RESERVED FOR OTHER SPECIFIC PURPOSES	93,264	14,288	3,806	6,151	14,932	132,441	122,844
UNRESERVED:							
DESIGNATED FOR HIGHWAY CONSTRUCTION	21,395					21,395	26,783
TOTAL FUND BALANCES	287,163	14,962	3,829	6,151	14,968	327,073	312,573
TOTAL LIABILITIES AND FUND BALANCES	$ 360,428	$ 19,559	$ 4,141	$ 6,708	$ 16,000	$ 406,836	$ 399,131

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
REVENUES:							
TAXES	$ 413,816	$ 409				$ 414,225	$ 380,922
LICENSES, FINES, FEES AND PERMITS	449	18,841	$ 6,194	$ 5,314	$ 4,510	35,308	29.467
INTEREST ON INVESTMENTS	2,457			303	148	2,908	2,522
FEDERAL	241,571	5,112	2,164	1,278	317	250,442	288,438
DEPARTMENTAL SERVICES	19,895	1,280	2,281		1,172	24,628	18,719
OTHER	6,442					6,442	5,054
TOTAL REVENUES	684,630	25,642	10,639	6,895	6,147	733,953	725,122
EXPENDITURES:							
GENERAL GOVERNMENT			9,485	3,331	57	12,873	10,992
EDUCATION					1,379	1,379	1,324
HEALTH AND SOCIAL SERVICES					3,609	3,609	2,594
LAW, JUSTICE AND PUBLIC SAFETY					165	165	256
RECREATION AND RESOURCES DEVELOPMENT		23,396				23,396	23.475
REGULATION OF BUSINESS AND PROFESSIONS					54	54	21
TRANSPORTATION	689,265					689,265	648,298
TOTAL EXPENDITURES	689,265	23,396	9,485	3,331	5,264	730,741	686,960
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,635)	2,246	1,154	3,564	883	3,212	38,162
OTHER FINANCING SOURCES (USES):							
OPERATING TRANSFER (TO) FROM GENERAL FUND	(3,312)	100				(3,212)	13,525
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,500					14,500	13.600
TOTAL OTHER FINANCING SOURCES	11,188	100				11,288	27.125
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	6,553	2,346	1,154	3.564	883	14,500	65,287
FUND BALANCES, JULY 1	280,610	12,616	2,675	2,587	14,085	312,573	247,286
FUND BALANCES, JUNE 30 (Note 2)	$ 287,163	$ 14,962	$ 3,829	$ 6,151	$ 14.968	$ 327,073	$ 312,573

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REGULATORY BOARDS	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 1,430	$1,055	$ 8,537	$1,404	$3,550	$ 15,976	$14,213
RECEIVABLES			24			24	
TOTAL ASSETS	$ 1,430	$1,055	$ 8,561	$1,404	$3,550	$ 16,000	$14,213
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 39	$ 14	$ 43	$ 1	$ 5	$ 102	$ 58
ACCOUNTS PAYABLE AND ACCRUALS	18	3	889	10		920	61
INTERFUND PAYABLES (Note 2)		1	9			10	9
TOTAL LIABILITIES	57	18	941	11	5	1,032	128
FUND BALANCES (Note 1):							
RESERVED FOR ENCUMBRANCES AND CONTRACTS		36				36	8
RESERVED FOR OTHER SPECIFIC PURPOSES	1,373	1,001	7,620	1,393	3,545	14,932	14,077
TOTAL FUND BALANCES	1,373	1,037	7,620	1,393	3,545	14,968	14,085
TOTAL LIABILITIES AND FUND BALANCES	$ 1,430	$1,055	$ 8,561	$1,404	$3,550	$ 16,000	$14,213

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REGULATORY BOARDS	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS FOR THE YEAR ENDED	
						JUNE 30, 1988	JUNE 30, 1987
REVENUES:							
LICENSES, FINES, FEES AND PERMITS	$ 443	$1,669		$ 218	$2,180	$ 4,510	$ 2,943
INTEREST ON INVESTMENTS					148	148	42
FEDERAL			$ 317			317	361
DEPARTMENTAL SERVICES		2	1,082	88		1,172	856
TOTAL REVENUES	443	1,671	1,399	306	2,328	6,147	4,202
EXPENDITURES:							
GENERAL GOVERNMENT					57	57	6
EDUCATION		1,379				1,379	1,324
HEALTH AND SOCIAL SERVICES	547		3,062			3,609	2,594
LAW, JUSTICE AND PUBLIC SAFETY		165				165	256
REGULATIONS OF BUSINESS AND PROFESSIONS				54		54	21
TOTAL EXPENDITURES	547	1,544	3,062	54	57	5,264	4,201
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(104)	127	(1,663)	252	2,271	883	1
OTHER FINANCING SOURCES:							
OPERATING TRANSFERS FROM GENERAL FUND							2,125
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(104)	127	(1,663)	252	2,271	883	2,126
FUND BALANCES, JULY 1	1,477	910	9,283	1,141	1,274	14,085	11,959
FUND BALANCES, JUNE 30 (Note 2)	$ 1,373	$1,037	$ 7,620	$1,393	$3,545	$ 14,968	$14,085

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
BALANCE SHEET
HIGHWAY FUND
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	JUNE 30, 1988	JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 327,901	$ 329,285
ACCOUNTS RECEIVABLE	724	6
DUE FROM OTHER GOVERNMENTS	26,842	25,184
INTERFUND RECEIVABLES (Note 2)	580	1,229
INVENTORIES, at cost	4,381	5,368
TOTAL ASSETS	$ 360,428	$ 361,072
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 5,296	$ 16,355
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	51,215	40,883
CONTRACT RETAINAGE	4,548	3,780
ACCRUED PAYROLL AND RELATED DEDUCTIONS	3,506	3,434
INTERFUND PAYABLES (Note 2)	985	932
DEFERRED REVENUE	203	7,753
DEPOSITS PAYABLE	7,512	7,325
TOTAL LIABILITIES	73,265	80,462
FUND BALANCE (Note 1):		
RESERVED FOR INVENTORIES	4,381	5,368
RESERVED FOR ENCUMBRANCES AND CONTRACTS	168,123	156,955
RESERVED FOR OTHER SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	12,467	15,514
PRIMARY SYSTEM	2,286	4,182
URBAN HIGHWAYS	843	843
SECONDARY ROADS	7,882	8,197
APPALACHIA HIGHWAYS AND ACCESS ROUTES	5,167	6,591
RURAL ROADS	3,164	3,319
METROPOLITAN URBAN SYSTEMS	3,896	3,156
BRIDGE REPLACEMENT	13,072	19,756
HIGHWAY SAFETY CONSTRUCTION	7,853	7,611
OTHERS	36,664	23,335
UNRESERVED:		
DESIGNATED FOR HIGHWAY CONSTRUCTION	21,296	25,783
TOTAL FUND BALANCE	287,163	280,610
TOTAL LIABILITIES AND FUND BALANCE	$ 360,428	$ 361,072

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1988	JUNE 30, 1987
REVENUES:		
TAXES	$ 413,816	$ 380,514
LICENSES	449	466
INTEREST ON INVESTMENTS	2,457	2,336
FEDERAL	241,571	281,172
DEPARTMENTAL SERVICES	18,895	14,742
OTHER	6,442	5,054
TOTAL REVENUES	684,630	684,284
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	102,292	108,448
PRIMARY SYSTEM CONSTRUCTION	35,485	88,477
APPALACHIA CONSTRUCTION	9,066	10,763
STATE SYSTEM CONSTRUCTION	206,201	95,548
OTHER CONSTRUCTION	116,195	138,949
MAINTENANCE AND MARKING	152,238	144,596
ADMINISTRATIVE AND OTHER	68,788	61,517
TOTAL EXPENDITURES	689,265	648,298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,635)	35,986
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER (TO) FROM GENERAL FUND	(3,312)	10,512
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,500	13,600
TOTAL OTHER FINANCING SOURCES	11,188	24,112
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	6,553	60,098
FUND BALANCE, JULY 1	280,610	220,512
FUND BALANCE, JUNE 30 (Note 2)	$ 287,163	$ 280,610

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1988	 JUNE 30, 1987
TAXES:		
SALES	$ 3,339	
GASOLINE	194,162	$ 186,281
MOTOR FUEL	58,677	50,175
PETROLEUM PRODUCTS	23,199	21,583
MOTOR VEHICLE REGISTRATION	130,099	119,235
GROSS RECEIPTS TAX	1,715	1,639
BEER TAX	1,643	1,601
	412,816	380,514
OUTDOOR ADVERTISING LICENSES	449	466
INTEREST ON INVESTMENTS	3,457	2,336
FEDERAL	241,571	281,172
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	17,154	12,090
STATE AGENCIES	2,741	2,652
	19,895	14,742
OTHER - OVERWEIGHT VEHICLES, SALE OF PLANS, ETC.	6,442	5,054
TOTAL REVENUES BY SOURCE	$ 684,630	$ 684,284

See accompanying Notes to the
Financial Statements

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1988	FOR THE YEAR ENDED JUNE 30, 1987
PERSONAL SERVICES	$ 97,288	$ 95,410
EMPLOYEE BENEFITS	24,657	23,332
TRAVEL	820	829
PRINTING, DUPLICATING AND FILM PROCESSING	666	658
UTILITIES AND FUEL	1,364	1,281
COMMUNICATION AND SHIPPING COSTS	1,381	1,502
MAINTENANCE, REPAIRS AND SERVICES	737	924
PROFESSIONAL AND ADMINISTRATIVE SERVICES	24,987	20,496
SUPPLIES	17,292	17,222
RENTALS AND INSURANCE	3,440	3,074
MOTOR VEHICLE OPERATION	2,789	2,797
AWARDS AND INDEMNITIES	128	45
GRANTS AND SUBSIDIES	14,589	12,347
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	11,092	9,796
EQUIPMENT	9,594	8,912
LAND	38,016	38,473
BUILDINGS	164	287
HIGHWAY CONSTRUCTION	440,314	410,913
TOTAL EXPENDITURES BY OBJECT	$ 689,265	$ 648,298

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	HIGHWAY FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 32,151	$ 32,151	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	248,459	248,459	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	280,610	280,610	
REVENUES:			
TAXES	401,800	413,816	$ 12,016
LICENSES, FINES, FEES AND PERMITS		449	449
INTEREST ON INVESTMENTS		2,457	2,457
FEDERAL	633,659	241,571	(392,088)
DEPARTMENTAL SERVICES	6,749	19,895	13,146
OTHER		6,442	6,442
OTHER FINANCING SOURCES - TRANSFERS IN	14,500	14,500	
TOTAL SOURCES OF FINANCIAL RESOURCES	1,337,318	979,740	(357,578)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
PUBLIC SERVICE COMMISSION			
WILDLIFE RESOURCES			
TRANSPORTATION	1,382,232	950,652	431,580
OTHER FINANCING USES - TRANSFERS OUT	3,312	3,312	
TOTAL USES OF FINANCIAL RESOURCES	1,385,544	953,964	431,580
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ (48,226)	$ 25,776	$ 74,002

	CRIMINAL INJURIES COMPENSATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 2,587	$ 2,587	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	2,587	2,587	
REVENUES:			
TAXES			
LICENSES, FINES, FEES AND PERMITS		5,314	$ 5,314
INTEREST ON INVESTMENTS		303	303
FEDERAL	1,036	1,278	242
DEPARTMENTAL SERVICES			
OTHER			
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	3,623	9,482	5,859
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	6,462	3,331	3,131
PUBLIC SERVICE COMMISSION			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
WILDLIFE RESOURCES			
COMMERCE AND INSURANCE			
TRANSPORTATION			
OTHER FINANCING USES - TRANSFERS OUT			
TOTAL USES OF FINANCIAL RESOURCES	6,462	3,331	3,131
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ (2,839)	$ 6,151	$ 8,990

See accompanying Notes to the Financial Statements.

WILDLIFE RESOURCES AGENCY

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 12,107	$ 12,107	
509	509	
12,616	12,616	
429	409	$ (20)
16,071	18,841	2,770
5,495	5,112	(383)
1,153	1,280	127
100	100	
35,864	38,358	2,494
25,141	24,070	1,071
25,141	24,070	1,071
$ 10,723	$ 14,288	$ 3,565

PUBLIC SERVICE COMMISSION

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 2,570	$ 2,570	
106	106	
2,676	2,676	
5,600	6,194	$ 594
1,225	2,163	938
2,296	2,281	(15)
11,797	13,314	1,517
9,959	9,508	451
9,959	9,508	451
$ 1,838	$ 3,806	$ 1,968

OTHER SPECIAL REVENUE FUNDS

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 14,077	$ 14,077	
8	8	
14,085	14,085	
1,650	4,510	$ 2,860
	148	148
1,542	317	(1,225)
1,000	1,172	172
18,277	20,232	1,955
1,940	57	1,883
1,400	1,379	21
4,795	3,609	1,186
247	201	46
61	54	7
8,443	5,300	3,143
$ 9,834	$ 14,932	$ 5,098

TOTAL SPECIAL REVENUE FUNDS

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 63,492	$ 63,492	
249,082	249,082	
312,574	312,574	
402,229	414,225	$ 11,996
23,321	35,308	11,987
	2,908	2,908
642,957	250,441	(392,516)
11,196	24,626	13,430
	6,442	6,442
14,600	14,600	
1,406,879	1,061,126	(345,753)
8,402	3,388	5,014
9,959	9,508	451
1,400	1,379	21
4,795	3,609	1,186
247	201	46
25,141	24,070	1,071
61	54	7
1,382,232	950,652	431,580
3,312	3,312	
1,435,549	996,173	439,376
$ (28,670)	$ 64,953	$ 93,623

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	ABANDONED LAND PROGRAM		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 1,477	$ 1,477	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,477	1,477	
REVENUES:			
LICENSES, FINES, FEES AND PERMITS		443	$ 443
FEDERAL	115		(115)
DEPARTMENTAL SERVICES			
TOTAL SOURCES OF FINANCIAL RESOURCES	1,592	1,920	328
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
EDUCATION			
HEALTH AND ENVIRONMENT	615	547	68
SAFETY			
TOTAL USES OF FINANCIAL RESOURCES	615	547	68
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ 977	$ 1,373	$ 396

	REGULATORY BOARDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 1,141	$ 1,141	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,141	1,141	
REVENUES:			
LICENSES, FINES, FEES AND PERMITS		218	$ 218
INTEREST ON INVESTMENTS			
FEDERAL			
DEPARTMENTAL SERVICES		88	88
TOTAL SOURCES OF FINANCIAL RESOURCES	1,141	1,447	306
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
COMMERCE AND INSURANCE	61	54	7
TOTAL USES OF FINANCIAL RESOURCES	61	54	7
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ 1,080	$ 1,393	$ 313

See accompanying Notes to the Financial Statements.

DRIVER EDUCATION

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 906	$ 906	
4	4	
910	910	
1,650	1,669	$ 19
	2	2
2,560	2,581	21
1,400	1,379	21
247	201	46
1,647	1,580	67
$ 913	$ 1,001	$ 88

HAZARDOUS WASTE

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 9,279	$ 9,279	
4	4	
9,283	9,283	
1,427	317	$ (1,110)
1,000	1,082	82
11,710	10,682	(1,028)
4,180	3,062	1,118
4,180	3,062	1,118
$ 7,530	$ 7,620	$ 90

DRUNK DRIVERS VICTIM COMPENSATION

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 1,274	$ 1,274	
1,274	1,274	
	2,180	$ 2,180
	148	148
1,274	3,602	2,328
1,940	57	1,883
1,940	57	1,883
$ (666)	$ 3,545	$ 4,211

TOTAL OTHER SPECIAL REVENUE FUNDS

BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 14,077	$ 14,077	
8	8	
14,085	14,085	
1,650	4,510	$ 2,860
	148	148
1,542	317	(1,225)
1,000	1,172	172
18,277	20,232	1,955
1,940	57	1,883
1,400	1,379	21
4,795	3,609	1,186
247	201	46
61	54	7
8,443	5,300	3,143
$ 9,834	$ 14,932	$ 5,098

Debt Service Fund

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	JUNE 30, 1988	JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 2,788	$ 6,647
TOTAL ASSETS	$ 2,788	$ 6,647
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 2	$ 6
MATURED BONDS AND INTEREST PAYABLE	363	1,185
ACCRUED INTEREST ON BOND ANTICIPATION NOTES	33	98
TOTAL LIABILITIES	398	1,289
FUND BALANCE (Note 1):		
RESERVED FOR BOND CANCELLATION		3,900
UNRESERVED:		
DESIGNATED FOR DEBT SERVICE	2,390	1,458
TOTAL FUND BALANCE	2,390	5,358
TOTAL LIABILITIES AND FUND BALANCE	$ 2,788	$ 6,647

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1988	JUNE 30, 1987
REVENUES:		
TAXES:		
SALES AND USE	$ 19,578	$ 18,248
GASOLINE	24,300	32,000
FRANCHISE	16,000	16,000
EXCISE	61,000	63,600
	120,878	129,848
FEDERAL	92	92
OTHER		3,059
TOTAL REVENUES	120,970	132,999
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	64,117	59,925
BOND INTEREST	39,446	34,553
NOTE INTEREST	546	5,533
OTHER	73	180
TOTAL EXPENDITURES	104,182	100,191
EXCESS OF REVENUES OVER EXPENDITURES	16,788	32,808
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER FROM (TO) GENERAL FUND	644	(17,685)
OPERATING TRANSFER (TO) CAPITAL PROJECTS FUND	(5,900)	
OPERATING TRANSFER (TO) HIGHWAY FUND	(14,500)	(13,600)
TOTAL OTHER FINANCING SOURCES (USES)	(19,756)	(31,285)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,968)	1,523
FUND BALANCE, JULY 1	5,358	3,835
FUND BALANCE, JUNE 30	$ 2,390	$ 5,358

See accompanying Notes to the Financial Statements.

Capital Projects Fund

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30 1988

(Expressed in Thousands)

ASSETS	JUNE 30, 1988	JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 321,410	$ 402,005
DUE FROM OTHER GOVERNMENTS	2,105	2,765
INTERFUND RECEIVABLES (Note 2)	8,761	8,189
TOTAL ASSETS	$ 332,276	$ 412,959
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 5,404	$ 1,003
ACCOUNTS PAYABLE	10,476	10,771
INTERFUND PAYABLES (Note 2)	459	807
NOTES PAYABLE (Note 3)	7,400	14,800
DEFERRED REVENUE	237	176
TOTAL LIABILITIES	23,976	27,557
FUND BALANCE (Note 1):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	111,353	50,743
RESERVED FOR APPROVED CAPITAL PROJECTS	188,754	301,532
RESERVED FOR FUTURE CAPITAL PROJECTS	8,193	33,127
TOTAL FUND BALANCE	308,300	385,402
TOTAL LIABILITIES AND FUND BALANCE	$ 332,276	$ 412,959

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1988	JUNE 30, 1987
REVENUES:		
FEDERAL	$ 4,729	$ 5,840
DEPARTMENTAL SERVICES	2,145	1,219
TOTAL REVENUES	6,874	7,059
EXPENDITURES:		
GENERAL GOVERNMENT	19,779	41,278
EDUCATION	11,834	2,668
HEALTH AND SOCIAL SERVICES	4,634	3,275
LAW, JUSTICE AND PUBLIC SAFETY	29,149	18,145
RECREATION AND RESOURCES DEVELOPMENT	11,707	7,375
TOTAL EXPENDITURES	77,103	72,741
EXCESS OF EXPENDITURES OVER REVENUES	(70,229)	(65,682)
OTHER FINANCING SOURCES (USES):		
PROCEEDS FROM BOND SALE		113,075
OPERATING TRANSFER FROM (TO) GENERAL FUND	32,560	(10,188)
OPERATING TRANSFER FROM DEBT SERVICE FUND	5,900	
OPERATING TRANSFER (TO) COLLEGE AND UNIVERSITY FUNDS	(45,333)	(34,996)
TOTAL OTHER FINANCING SOURCES (USES)	(6,873)	67,891
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(77,102)	2,209
FUND BALANCE, JULY 1	385,402	383,193
FUND BALANCE, JUNE 30	$308,300	$385,402

See accompanying Notes to the Financial Statements.

Enterprise Funds

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Local Development Authority - This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. In addition, the Authority may assist small business concerns in financing pollution control facilities and farmers in financing certain capital improvements.

State Loan Program - Operated since the early 1970's through the Department of Health and Environment, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

Other - Four smaller enterprise operations are included in this group, as follows:

1. Comprehensive Health Insurance - Created by the legislature in 1986, this act was to provide access to health insurance to all residents of Tennessee. Individuals are charged premiums for coverage and the insurance companies are assessed an amount to help fund the pool.

2. Housing Rehabilitation Corporation - Established in 1973, this corporation's purpose is to provide a means of encouraging the rehabilitation of existing housing. To facilitate this objective the corporation insures first mortgage loans on existing houses and insures loans for home improvements. Although they have received state appropriations in the past, it is intended that the corporation be self-funded with revenues from investments, fees and premium income.

3. Federal Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs.

4. State Employees' Cafeteria, also a division of the Department of General Services - This Nashville division operates two cafeterias for the convenience of state employees, one in the Andrew Jackson State Office Building and another in the Legislative Plaza.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CURRENT ASSETS:						
CASH AND CASH EQUIVALENTS	$ 187,131	$ 40,047	$ 10,067	$ 3,288	$ 240,533	$ 251,264
RECEIVABLES:						
ACCOUNTS	4,606			81	4,687	6,261
INTEREST	15,768	38	3		15,809	13,564
FIRST MORTGAGE LOANS - CURRENT PORTION	9,670				9,670	6,615
DUE FROM OTHER GOVERNMENTS - CURRENT PORTION	2,422	1,634	2,975		7,031	4,337
INTERFUND RECEIVABLES (Note 2)				6	6	2
INVENTORIES, at cost						9
TOTAL CURRENT ASSETS	219,597	41,719	13,045	3,375	277,736	282,052
OTHER ASSETS:						
LONG-TERM INVESTMENTS, at cost	175,224	6,233			181,457	161,391
FIRST MORTGAGE LOANS RECEIVABLE	867,327				867,327	801,845
DUE FROM OTHER GOVERNMENTS		75,656	58,756		134,412	122,895
DEFERRED CHARGES	1,210	603			1,813	1,665
TOTAL OTHER ASSETS	1,043,761	82,492	58,756		1,185,009	1,087,796
LAND, at cost				29	29	29
STRUCTURES AND IMPROVEMENTS, at cost				98	98	98
MACHINERY AND EQUIPMENT, at cost	94			373	467	505
LESS ACCUMULATED DEPRECIATION	(40)			(316)	(356)	(392)
TOTAL FIXED ASSETS	54			184	238	240
TOTAL ASSETS	$ 1,263,412	$ 124,211	$ 71,801	$ 3,559	$ 1,462,983	$ 1,370,088

LIABILITIES AND FUND EQUITY

LIABILITIES AND FUND EQUITY	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
LIABILITIES:						
CURRENT LIABILITIES:						
WARRANTS PAYABLE	$ 1,469	$ 1,116	$ 455	$ 148	$ 3,188	$ 1,970
ACCOUNTS PAYABLE AND ACCRUALS	54,119	2,554	1,949	232	58,854	54,663
INTERFUND PAYABLES (Note 2)	18			5	23	25
NOTES PAYABLE (Note 3)		61,432			61,432	61,500
CURRENT PORTION OF LONG - TERM DEBT (Note 3)	27,145	1,634	2,975		31,754	75,095
DEFERRED REVENUE	1,957			1	1,958	2,390
TOTAL CURRENT LIABILITIES	84,708	66,736	5,379	386	157,209	195,643
LONG-TERM DEBT - BONDS PAYABLE, NET (Note 3)	1,077,929	52,935	60,590		1,191,454	1,072,638
CALL PREMIUMS PAYABLE		733			733	733
TOTAL LONG-TERM DEBT	1,077,929	53,668	60,590		1,192,187	1,073,371
TOTAL LIABILITIES	1,162,637	120,404	65,969	386	1,349,396	1,269,014
FUND EQUITY (Note 2):						
CONTRIBUTED CAPITAL	2,500			863	3,363	3,293
RETAINED EARNINGS:						
RESERVED FOR BOND RETIREMENT	16,485				16,485	14,310
RESERVED FOR SEWAGE TREATMENT LOANS		3,485			3,485	3,258
UNRESERVED	81,790	322	5,832	2,310	90,254	80,213
TOTAL FUND EQUITY	100,775	3,807	5,832	3,173	113,587	101,074
TOTAL LIABILITIES AND FUND EQUITY	$ 1,263,412	$ 124,211	$ 71,801	$ 3,559	$ 1,462,983	$ 1,370,088

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	JUNE 30, 1987
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 368	$ 4,670	$ 3,493	$ 842	$ 9,373	$ 11,462
INTEREST INCOME	106,381	3,934	999	80	111,394	108,567
PREMIUMS				1,646	1,646	
TOTAL OPERATING REVENUES	106,749	8,604	4,492	2,568	122,413	120,029
OPERATING EXPENSES:						
PERSONAL SERVICES	1,860			644	2,504	2,883
CONTRACTUAL SERVICES	730	735	11	178	1,654	1,697
MORTGAGE SERVICE FEES	2,791				2,791	2,686
MATERIALS AND SUPPLIES	36			179	215	519
RENTALS AND INSURANCE	273			35	308	186
INTEREST	90,413	7,231	3,894		101,538	95,316
DEPRECIATION AND AMORTIZATION	138	140		28	306	226
OTHER	660			245	905	773
BENEFITS				786	786	
TOTAL OPERATING EXPENSES	96,901	8,106	3,905	2,095	111,007	104,286
OPERATING INCOME	9,848	498	587	473	11,406	15,743
NONOPERATING REVENUES (EXPENSES):						
OPERATING GRANTS	21,490				21,490	18,862
GRANT EXPENSE	(21,490)				(21,490)	(18,862)
GAIN ON SALE OF INVESTMENTS	549				549	5,773
ASSESSMENTS				1,681	1,681	
TOTAL NONOPERATING REVENUES (EXPENSES)	549			1,681	2,230	5,773
INCOME BEFORE OPERATING TRANSFER	10,397	498	587	2,154	13,636	21,516
OPERATING TRANSFER FROM GENERAL FUND						1,000
OPERATING TRANSFER (TO) LOCAL DEVELOPMENT AUTHORITY			(100)		(100)	
OPERATING TRANSFER FROM STATE LOAN PROGRAM		100			100	
INCOME BEFORE EXTRAORDINARY CHARGE	10,397	598	487	2,154	13,636	22,516
EXTRAORDINARY CHARGE (NOTE 3)	(1,192)				(1,192)	(9,724)
NET INCOME/CHANGE IN RETAINED EARNINGS	9,205	598	487	2 154	12,444	12,792
OTHER CHANGES IN FUND EQUITY:						
CONTRIBUTED FIXED ASSETS				19	19	
EQUITY TRANSFER FROM GENERAL FUND				50	50	87
NET CHANGE IN FUND EQUITY	9,205	598	487	2,223	12,513	12,879
FUND EQUITY JULY 1	91,570	3,209	5,345	950	101,074	88,195
FUND EQUITY, JUNE 30 (Note 2)	$ 100,775	$ 3,807	$ 5,832	$ 3,173	$ 113,587	$ 101,074

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
INCOME BEFORE EXTRAORDINARY ITEM	$ 10,397	$ 598	$ 487	$ 2,154	$ 13,636	$ 22,516
ITEMS NOT REQUIRING WORKING CAPITAL -						
DISCOUNT AMORTIZATION	1,232				1,232	1,165
DEPRECIATION AND AMORTIZATION	138	140		28	306	226
MULTIPLIER BOND ACCRETION	5,274				5,274	4,900
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEMS	17,041	738	487	2,182	20,448	28,807
EXTRAORDINARY ITEMS	(1,192)				(1,192)	(9,724)
WORKING CAPITAL PROVIDED BY OPERATIONS	15,849	738	487	2,182	19,256	19,083
PROCEEDS FROM SALE OF BONDS	167,871				167,871	172.576
DISPOSAL OF MACHINERY AND EQUIPMENT				5	5	4
DECREASE IN LOANS TO OTHER GOVERNMENTS			2,573		2,573	2,863
DECREASE IN MORTGAGE LOANS RECEIVABLE	58,887				58,887	79,255
SALE OF LONG-TERM INVESTMENTS	2,176	70			2,246	403
EQUITY TRANSFER FROM GENERAL FUND				50	50	87
DECREASE IN RESTRICTED INVESTMENTS						3,664
TOTAL SOURCES OF WORKING CAPITAL	245,783	808	3,060	2,237	251,888	277,935
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	22,312				22,312	32,638
INCREASE IN LOANS TO LOCAL GOVERNMENTS		14,090			14,090	5,018
INCREASE IN FIRST MORTGAGE LOANS RECEIVABLE	125,369				125,369	81,442
INCREASE IN DEFERRED CHARGES	453				453	193
ACQUISITION OF MACHINERY AND EQUIPMENT	14			5	19	16
DECREASE IN LONG-TERM DEBT	50,918	1,634	2,975		55,527	151,939
TOTAL USES OF WORKING CAPITAL	198,066	15,724	2,975	5	217,770	271,246
NET CHANGE IN WORKING CAPITAL	$ 46,717	$ (14,916)	$ 85	$ 2,232	$ 34,118	$ 6,689
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 1,545	$ (15,341)	$ 670	$ 2,395	$ (10,731)	$ 34,516
ACCOUNTS RECEIVABLE	(1,627)			53	(1,574)	86
INTEREST RECEIVABLE	2,207	35	3		2,245	188
FIRST MORTGAGE LOANS RECEIVABLE	3,055				3,055	(1,254)
CURRENT DUE FROM OTHER GOVERNMENTS	2,422	102	170		2,694	405
INTERFUND RECEIVABLES				4	4	(1)
INVENTORIES				(9)	(9)	(2)
WARRANTS PAYABLE	135	(774)	(455)	(124)	(1,218)	(477)
ACCOUNTS PAYABLE AND ACCRUALS	(5,065)	1,096	(133)	(89)	(4,191)	(3,826)
INTERFUND PAYABLES				2	2	
NOTES PAYABLE		68			68	1,000
CURRENT PORTION OF LONG-TERM DEBT	43,613	(102)	(170)		43,341	(24,214)
DEFERRED REVENUE	432				432	268
NET CHANGE IN WORKING CAPITAL	$ 46,717	$ (14,916)	$ 85	$ 2,232	$ 34,118	$ 6,689

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER ENTERPRISE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	COMPREHENSIVE HEALTH INSURANCE	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CURRENT ASSETS:						
CASH AND CASH EQUIVALENTS	$ 2,611	$ 608	$ 67	$ 2	$3,288	$ 893
ACCOUNTS RECEIVABLE			72	9	81	28
INTERFUND RECEIVABLES (NOTE 2)			6		6	2
INVENTORIES, at cost						9
TOTAL CURRENT ASSETS	2,611	608	145	11	3,375	932
LAND, at cost			29		29	29
STRUCTURES AND IMPROVEMENTS, at cost			98		98	98
MACHINERY AND EQUIPMENT, at cost		3	184	186	373	425
LESS ACCUMULATED DEPRECIATION		(3)	(150)	(163)	(316)	(359)
TOTAL FIXED ASSETS			161	23	184	193
TOTAL ASSETS	$ 2,611	$ 608	$ 306	$ 34	$3,559	$1,125
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
CURRENT LIABILITIES:						
WARRANTS PAYABLE	$ 118		$ 30		$ 148	$ 24
ACCOUNTS PAYABLE AND ACCRUALS	154		78		232	143
INTERFUND PAYABLES (Note 2)			5		5	7
DEFERRED REVENUE		$ 1			1	1
TOTAL CURRENT LIABILITIES	272	1	113		386	175
FUND EQUITY (Note 2):						
CONTRIBUTED CAPITAL			489	$ 374	863	793
RETAINED EARNINGS (DEFICIT): UNRESERVED	2,339	607	(296)	(340)	2,310	157
TOTAL FUND EQUITY	2,339	607	193	34	3,173	950
TOTAL LIABILITIES AND FUND EQUITY	$ 2,611	$ 608	$ 306	$ 34	$3,559	$1,125

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	COMPREHENSIVE HEALTH INSURANCE	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS	
					JUNE 30, 1988	JUNE 30, 1987
OPERATING REVENUES:						
CHARGES FOR SERVICES		$ 2	$ 553	$ 287	$ 842	$1,530
INTEREST INCOME	$ 41	39			80	33
PREMIUMS	1,646				1,646	
TOTAL OPERATING REVENUES	1,687	41	553	287	2,568	1,563
OPERATING EXPENSES:						
PERSONAL SERVICES			533	111	644	838
CONTRACTUAL SERVICES	24		112	42	178	228
MATERIALS AND SUPPLIES			47	132	179	404
RENTALS AND INSURANCE			21	14	35	37
DEPRECIATION AND AMORTIZATION			22	6	28	29
BENEFITS	786				786	
OTHER	219		23	3	245	21
TOTAL OPERATING EXPENSES	1,029		758	308	2,095	1,557
OPERATING INCOME (LOSS)	658	41	(205)	(21)	473	6
NONOPERATING REVENUES:						
ASSESSMENTS	1,681				1,681	
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	2,339	41	(205)	(21)	2,154	6
OTHER CHANGES IN FUND EQUITY:						
CONTRIBUTED FIXED ASSETS				19	19	
EQUITY TRANSFER FROM GENERAL FUND				50	50	87
NET CHANGE IN FUND EQUITY	2,339	41	(205)	48	2,223	93
FUND EQUITY, JULY 1		566	398	(14)	950	857
FUND EQUITY, JUNE 30 (Note 2)	$ 2,339	$ 607	$ 193	$ 34	$3,173	$ 950

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	COMPREHENSIVE HEALTH INSURANCE	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
NET INCOME (LOSS)	$ 2,339	$ 41	$ (205)	$ (21)	$2,154	$ 6
ITEMS NOT REQUIRING WORKING CAPITAL-DEPRECIATION AND AMORTIZATION			22	6	28	29
WORKING CAPITAL PROVIDED BY OPERATIONS	2,339	41	(183)	(15)	2,182	35
DISPOSAL OF MACHINERY AND EQUIPMENT			4	1	5	4
EQUITY TRANSFER FROM GENERAL FUND				50	50	87
TOTAL SOURCES OF WORKING CAPITAL	2,339	41	(179)	36	2,237	126
USES OF WORKING CAPITAL:						
ACQUISITION OF MACHINERY AND EQUIPMENT			3	2	5	
TOTAL USES OF WORKING CAPITAL			3	2	5	
NET CHANGE IN WORKING CAPITAL	$ 2,339	$ 41	$ (182)	$ 34	$2,232	$ 126
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 2,611	$ 41	$ (212)	$ (45)	$2,395	$ 100
ACCOUNTS RECEIVABLE			44	9	53	(6)
INTERFUND RECEIVABLES			4		4	(1)
INVENTORIES				(9)	(9)	(2)
WARRANTS PAYABLE	(118)		(21)	15	(124)	21
ACCOUNTS PAYABLE AND ACCRUALS	(154)		4	61	(89)	13
INTERFUND PAYABLES			(1)	3	2	
DEFERRED REVENUE						1
NET CHANGE IN WORKING CAPITAL	$ 2,339	$ 41	$ (182)	$ 34	$2,232	$ 126

See accompanying Notes to the
Financial Statements.

Internal Service Funds

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Office of Information Resources, a division of the Department of Finance and Administration - This agency functions as the data processing service bureau for state government;

Claims Award - This fund was created in 1986 to pay awards for claims made against the state once validity of the claims has been determined by the Tennessee Claims Commission.

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles;

Printing, a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville and has responsibility for the installation and management of state-owned copier machines located in selected state agencies with high volume activity;

Building Management, a division of the Department of General Services -This division is responsible for the maintenance, repair and upkeep of selected state owned buildings located in Chattanooga, Memphis and Jackson;

Communications Management, a division of the Department of General Services - This division is responsible for designing, implementing, and operating a voice, data, and telephone communications system.

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied by the universities on users of the facilities provide the funds necessary for payment of principal and interest on bonds. Any collections in excess of these requirements are retained by the institutions to cover administrative fees, building maintenance and related costs;

Other - Three smaller internal service agencies are included in this group, as follows:

1. Legislative Services, a division of the Legislative branch - This division collects revenue from the printing and distribution of proposed bills, legislative calendars and other information during the legislative session;
2. Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol;
3. Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	OFFICE OF INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	$ 3,964	$ 39,230	$11,840	$ 2,323
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	632		152	1
INTERFUND RECEIVABLES (Note 2)			53	
INVENTORIES, at cost			86	153
PREPAID EXPENSES	389			
TOTAL CURRENT ASSETS	4,985	39,230	12,131	2,477
OTHER ASSETS:				
INVESTMENTS, at cost				
DEFERRED CHARGES				
ACCOUNTS RECEIVABLE NON-CURRENT	316			
TOTAL OTHER ASSETS	316			
FIXED ASSETS:				
LAND, at cost				
STRUCTURES AND IMPROVEMENTS, at cost			168	
MACHINERY AND EQUIPMENT, at cost	34,749		31,707	2,246
LESS ACCUMULATED DEPRECIATION	(19,036)		(9,972)	(2,008)
TOTAL FIXED ASSETS	15,713		21,903	238
TOTAL ASSETS	$ 21,014	$ 39,230	$34,034	$ 2,715
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
CURRENT LIABILITIES:				
WARRANTS PAYABLE	$ 836	$ 254	$ 583	$ 76
ACCOUNTS PAYABLE AND ACCRUALS:				
ACCOUNTS PAYABLE	1,520	34 550	322	173
ACCRUED PAYROLL AND RELATED DEDUCTIONS	841		67	135
INTERFUND PAYABLES (Note 2)	905		6	12
NOTES PAYABLE (Note 3)				
DEFERRED REVENUE				
TOTAL CURRENT LIABILITIES	4,102	34 804	978	396
LONG-TERM DEBT:				
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
ADVANCE FROM OTHER FUNDS	421			
TOTAL LONG-TERM DEBT	421			
TOTAL LIABILITIES	4,523	34 804	978	396
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL:				
CAPITAL GRANTS			121	
GOVERNMENT'S CONTRIBUTION	9,448		16,508	1,286
RETAINED EARNINGS (DEFICIT)	7,043	4,426	16,427	1,033
TOTAL FUND EQUITY	16,491	4,426	33,056	2,319
TOTAL LIABILITIES AND FUND EQUITY	$ 21,014	$ 39,230	$34,034	$ 2,715

See accompanying Notes to the
Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
$ 884	$ 2,304	$ 3,305	$ 1,202	$ 65,062	$ 52,690
		1,250		1,250	1,036
2			3	790	717
				53	23
	15		144	388	464
			18	407	33
886	2,319	4,555	1,367	67,950	54,963
		68,455		68,455	68,958
		2,299		2,299	2,732
				316	947
		70,754		71,070	72,637
1,491				1,491	1,491
12,110				12,278	12,278
32	5,956		329	75,019	64,602
(3,996)	(2,990)		(170)	(38,172)	(32,319)
9,637	2,966		159	50,616	46,052
$ 10,523	$ 5,285	$ 75,309	$ 1,526	$ 189,636	$ 173,652
$ 66	$ 19	$ 189	$ 57	$ 2,080	$ 1,031
109	315	1,369	57	38,415	27,257
53	40		93	1,229	1,295
4	6		6	939	937
					257
		498		498	614
232	380	2,056	213	43,161	31,391
		68,667		68,667	68,577
		1,979		1,979	1,979
				421	1,263
		70,646		71,067	71,819
232	380	72,702	213	114,228	103,210
				121	121
12,242	5,042		299	44,825	44,205
(1,951)	(137)	2,607	1,014	30,462	26,116
10,291	4,905	2,607	1,313	75,408	70,442
$ 10,523	$ 5,285	$ 75,309	$ 1,526	$ 189,636	$ 173,652

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	OFFICE OF INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
OPERATING REVENUES:				
CHARGES FOR SERVICES	$ 25,992	$ 17,824	$11,792	$ 4,084
INTEREST INCOME		2,920		
OTHER	5			
TOTAL OPERATING REVENUES	25,997	20,744	11,792	4,084
OPERATING EXPENSES:				
PERSONAL SERVICES	7,339		782	1,497
CONTRACTUAL SERVICES	5,350		479	706
MATERIALS AND SUPPLIES	1,928		2,753	1,218
RENTALS AND INSURANCE	3,350		154	170
INTEREST				
DEPRECIATION AND AMORTIZATION	4,443		4,661	165
BENEFITS		18,691		
OTHER	90	2,083	310	25
TOTAL OPERATING EXPENSES	22,500	20,774	9,139	3,781
INCOME (LOSS) BEFORE OPERATING TRANSFER	3,497	(30)	2,653	303
OPERATING TRANSFER FROM GENERAL FUND				20
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	3,497	(30)	2,653	323
OTHER CHANGES IN FUND EQUITY:				
CONTRIBUTED FIXED ASSETS			715	
EQUITY TRANSFER (TO) COLLEGE AND UNIVERSITY FUND				
EQUITY TRANSFER FROM GENERAL FUND			35	
NET CHANGE IN FUND EQUITY	3,497	(30)	3,403	323
FUND EQUITY, JULY 1 (NOTE 2)	12,994	4,456	29,653	1,996
FUND EQUITY, JUNE 30	$ 16,491	$ 4,426	$33,056	$ 2,319

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
$ 1,509	$ 2,986		$ 3,985	$ 68,172	$ 66,738
		3,966		6,886	2,151
				5	71
1,509	2,986	3,966	3,985	75,063	68,960
480	614		1,075	11,787	12,068
1,110	482		483	8,610	6,470
48	958		2,243	9,148	8,133
22	41		46	3,783	5,915
		4,962		4,962	
402	1,108	523	27	11,329	9,632
				18,691	5,916
6	20		47	2,581	2,048
2,068	3,223	5,485	3,921	70,891	50,182
(559)	(237)	(1,519)	64	4,172	18,778
	24			44	
(559)	(213)	(1,519)	64	4,216	18,778
				715	1,556
					(43)
				35	476
(559)	(213)	(1,519)	64	4,966	20,767
10,850	5,118	4,126	1,249	70,442	49,675
$ 10,291	$ 4,905	$ 2,607	$ 1,313	$ 75,408	$ 70,442

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	OFFICE OF INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
SOURCES OF WORKING CAPITAL:				
OPERATIONS:				
NET INCOME (LOSS)	$ 3,497	$ (30)	$ 2,653	$ 323
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	4,443		4,661	165
WORKING CAPITAL PROVIDED BY OPERATIONS	7,940	(30)	7,314	488
SALE OF LONG-TERM INVESTMENTS				
DISPOSAL OF MACHINERY AND EQUIPMENT	1,920		1,577	7
EQUITY TRANSFERS FROM GENERAL FUND			35	
INCREASE IN CALL PREMIUM				
INCREASE IN LONG-TERM DEBT				
INCREASE IN ADVANCE FROM OTHER FUNDS				
DECREASE IN NONCURRENT RECEIVABLE	631			
TOTAL SOURCES OF WORKING CAPITAL	10,491	(30)	8,926	495
USES OF WORKING CAPITAL:				
PURCHASE OF LONG-TERM INVESTMENTS				
ACQUISITION OF FIXED ASSETS	9,701		7,467	21
INCREASE IN DEFERRED CHARGES				
EQUITY TRANSFER TO GENERAL FUND				
EQUITY TRANSFER TO COLLEGE AND UNIVERSITY FUND				
INCREASE IN LONG-TERM RECEIVABLE				
DECREASE IN ADVANCE FROM OTHER FUNDS	842			
TOTAL USES OF WORKING CAPITAL	10,543		7,467	21
NET CHANGE IN WORKING CAPITAL	$ (52)	$ (30)	$ 1,459	$ 474
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
CASH AND CASH EQUIVALENTS	$ (145)	$ 11,431	$ 1,542	$ 538
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE			80	1
INTERFUND RECEIVABLES			32	
INVENTORIES	(34)		(1)	(45)
PREPAID EXPENSES	369			
WARRANTS PAYABLE	(317)	(125)	(479)	(10)
ACCOUNTS PAYABLE AND ACCRUALS	(184)	(11,336)	284	(8)
INTERFUND PAYABLES	2		1	(2)
NOTES PAYABLE	257			
DEFERRED REVENUE				
NET CHANGE IN WORKING CAPITAL	$ (52)	$ (30)	$ 1,459	$ 474

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED	
				JUNE 30, 1988	JUNE 30, 1987
$ (559)	$ (213)	$ (1,519)	$ 64	$ 4,216	$ 18,778
402	1,108	523	27	11,329	9,632
(157)	895	(996)	91	15,545	28,410
		503		503	
2			8	3,514	1,465
				35	479
					1,979
					68,547
					1,263
				631	
(155)	895	(493)	99	20,228	102,143
1	895		84	18,169	68,958
					15,100
					2,877
					3
					43
					947
				842	
1	895		84	19,011	87,928
$ (156)	$ -	$ (493)	$ 15	$ 1,217	$ 14,215
$ (141)	$ (25)	$ (848)	$ 10	$ 12,362	$ 18,104
		214		214	(8,117)
2			(10)	73	628
			(2)	30	(2,795)
	(4)		18	(66)	(21)
(1)			6	374	5
(13)	64	(156)	(13)	(1,049)	654
(8)	(69)	221	8	(11,092)	6,554
	(1)		(2)	(2)	(835)
				257	(257)
5	35	76		116	295
$ (156)	$ -	$ (493)	$ 15	$ 1,217	$ 14,215

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER INTERNAL SERVICE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 165	$ 518	$ 519	$ 1,202	$1,192
ACCOUNTS RECEIVABLE	3			3	13
INTERFUND RECEIVABLES (Note 2)					2
INVENTORIES, at cost		52	92	144	126
PREPAID EXPENSES		12	6	18	12
TOTAL CURRENT ASSETS	168	582	617	1,367	1,345
FIXED ASSETS:					
MACHINERY AND EQUIPMENT, at cost		218	111	329	262
LESS ACCUMULATED DEPRECIATION		(146)	(24)	(170)	(152)
TOTAL FIXED ASSETS		72	87	159	110
TOTAL ASSETS	$ 168	$ 654	$ 704	$ 1,528	$1,455
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE	$ 1	$ 27	$ 29	$ 57	$ 14
ACCOUNTS PAYABLE AND ACCRUALS:					
ACCOUNTS PAYABLE		21	36	57	80
ACCRUED PAYROLL AND RELATED DEDUCTIONS		14	79	93	78
INTERFUND PAYABLES (Note 2)			6	6	4
TOTAL LIABILITIES	1	62	150	213	206
FUND EQUITY:					
CONTRIBUTED CAPITAL	86	188	25	299	299
RETAINED EARNINGS	81	404	529	1,014	950
TOTAL FUND EQUITY	167	592	554	1,313	1,249
TOTAL LIABILITIES AND FUND EQUITY	$ 168	$ 654	$ 704	$ 1,528	$1,455

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 100	$ 828	$ 3,057	$ 3,985	$ 3,967
TOTAL OPERATING REVENUES	100	828	3,057	3,985	3,967
OPERATING EXPENSES:					
PERSONAL SERVICES	21	344	710	1,075	927
CONTRACTUAL SERVICES	116	209	158	483	396
MATERIALS AND SUPPLIES		170	2,073	2,243	2,252
RENTALS AND INSURANCE	1	2	43	46	107
DEPRECIATION AND AMORTIZATION		19	8	27	21
OTHER			47	47	49
TOTAL OPERATING EXPENSES	138	744	3,039	3,921	3,752
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	(38)	84	18	64	215
OTHER CHANGES IN FUND EQUITY					
EQUITY TRANSFER (TO) GENERAL FUND					(3)
NET CHANGE IN FUND EQUITY	(38)	84	18	64	212
FUND EQUITY, JULY 1	205	508	536	1,249	1,037
FUND EQUITY, JUNE 30	$ 167	$ 592	$ 554	$ 1,313	$ 1,249

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME (LOSS)	$ (38)	$ 84	$ 18	$ 64	$ 215
ITEMS NOT REQUIRING WORKING CAPITAL DEPRECIATION AND AMORTIZATION		19	8	27	21
WORKING CAPITAL PROVIDED BY OPERATIONS	(38)	103	26	91	236
DISPOSAL OF MACHINERY AND EQUIPMENT			8	8	7
TOTAL SOURCES OF WORKING CAPITAL	(38)	103	34	99	243
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT		2	82	84	25
EQUITY TRANSFER (TO) GENERAL FUND					3
TOTAL USES OF WORKING CAPITAL		2	82	84	28
NET CHANGE IN WORKING CAPITAL	$ (38)	$ 101	$ (48)	$ 15	$ 215
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ (28)	$ 80	$ (42)	$ 10	$ 291
ACCOUNTS RECEIVABLE	(8)		(2)	(10)	10
INTERFUND RECEIVABLES	(2)			(2)	2
INVENTORIES		13	5	18	(54)
PREPAID EXPENSES		3	3	6	
WARRANTS PAYABLE		(6)	(7)	(13)	12
ACCOUNTS PAYABLE AND ACCRUALS		11	(3)	8	(46)
INTERFUND PAYABLES			(2)	(2)	
NET CHANGE IN WORKING CAPITAL	$ (38)	$ 101	$ (48)	$ 15	$ 215

See accompanying Notes to the Financial Statements.

Trust And Agency Funds

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity. Trust funds include the Employment Security Fund, Employee Group Insurance Fund, the Local Government Investment Fund, the Teacher Group Insurance Fund, the Student Assistance Corporation Fund, the Board of Equalization Loan Fund, the Chairs of Excellence Fund and the Pension Trust Fund. The Local Government Fund, the Contingent Revenue Fund, the Deferred Compensation Fund, the Bond Refunding Fund, and the Community Development Fund are agency funds.

Expendable Trust Funds:

Employment Security Fund - This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U. S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Employment Security are expenditures of the General Fund.

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978 medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds than they could realize individually.

Teacher Group Insurance Fund - Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

Nonexpendable Trust Funds:

Student Assistance Corporation Fund - This fund is used to account for the operations of the Tennessee Student Assistance Corporation (TSAC), a nonprofit organization created to administer loan and grant programs to students attending higher education institutions. TSAC was established in 1974 to (1) guarantee loans made to eligible students, (2) administer state awards of financial assistance to eligible students, and (3) administer the nursing and medical loan scholarship programs.

Board of Equalization Loan Fund - This fund was created in 1963 to account for state loans to city and county governments for a program of assessment, reassessment or equalization of property taxes. In 1967 the program was expanded to also enable grants to be made for these purposes. Cash in the fund not needed for loans or grants may be transferred to other state activities by legislative act.

Chairs of Excellence Fund - This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the State Board of Regents and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Pension Trust Fund:

The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1982 contributions of up to 5% of the earnable compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of June 30, 1987. As of that date there were 147,530 active members and 48,169 retired members representing a 5% and 4% increase, respectively, since the previous actuarial valuation in 1986.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

Deferred Compensation Fund - This fund is used to report the market value of investments accumulated in the state's IRC Section 457 deferred compensation plan.

Bond Refunding Fund - This fund is used to account for the refunding bond issue for the Local Development Authority for which the State Treasurer is the trustee.

Community Development Fund - This fund is used to account for the monies held in trust for the federal government under the Community Development Block Grant program. When the loans are repaid the monies revert to the U. S. Treasury.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	EXPENDABLE TRUST	NONEXPENDABLE TRUST	PENSION TRUST	AGENCY	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 410,106	$ 32,089	$ 702,053	$ 172,333	$ 1,316,581	$ 1,381,071
CASH ON DEPOSIT WITH FISCAL AGENT	550,248				550,248	470,023
INVESTMENTS (Note 1)		70,303	5,640,565	80,063	5,790,931	4,912,383
RECEIVABLES:						
INTEREST AND DIVIDENDS		1,321	76,145		77,466	59,715
DUE FROM OTHER GOVERNMENTS		8,855	13,380	21,301	43,536	35,552
NOTES RECEIVABLE		2,386			2,386	2,032
OTHER, net of allowance for uncollectibles of $16,270 in 1988 and $13,779 in 1987 (Note 1)	61,541	71	1,202	1,389	64,203	113,687
INTERFUND RECEIVABLES (Note 2)	235	1,554	7,976	4,778	14,543	15,479
PREPAYMENTS		1			1	
MACHINERY AND EQUIPMENT, at cost		34			34	6
LESS ACCUMULATED DEPRECIATION		(10)			(10)	(5)
TOTAL ASSETS	$ 1,022,130	$ 116,604	$ 6,441,321	$ 279,864	$ 7,859,919	$ 6,989,935
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
WARRANTS PAYABLE	$ 6,505	$ 679	$ 11,323	$ 12,385	$ 30,892	$ 15,680
ACCOUNTS PAYABLE AND ACCRUALS	28,759	4,385	48,797	124,856	206,797	244,105
INTERFUND PAYABLES (Note 2)	75,669	1,559			77,228	60,891
DEFERRED REVENUE	9,170	332			9,502	8,722
MEMBERS DEPOSITS	290,488				290,488	268,527
AMOUNTS HELD IN CUSTODY FOR OTHERS				120,456	120,456	127,282
ADVANCES FROM FEDERAL GOVERNMENT		1,852		22,167	24,019	18,765
TOTAL LIABILITIES	410,591	8,807	60,120	279,864	759,382	743,972
FUND BALANCES:						
RESERVED FOR BOARD OF EQUALIZATION LOAN FUND		7,913			7,913	9,222
RESERVED FOR PENSION BENEFITS			6,381,201		6,381,201	5,612,790
RESERVED FOR CHAIRS OF EXCELLENCE		76,977			76,977	65,816
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	603,630				603,630	525,062
RESERVED FOR GUARANTEED STUDENT LOANS		17,855			17,855	16,618
RESERVED FOR SCHOLARSHIPS AND TEACHER LOANS		2,352			2,352	2,178
UNRESERVED	7,909	2,700			10,609	14,277
TOTAL FUND BALANCES	611,539	107,797	6,381,201		7,100,537	6,245,963
TOTAL LIABILITIES AND FUND BALANCES	$ 1,022,130	$ 116,604	$ 6,441,321	$ 279,864	$ 7,859,919	$ 6,989,935

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 742	$ 36,113	$ 366,986	$ 6,265	$ 410,106	$ 370,300
CASH ON DEPOSIT WITH FISCAL AGENT	550,248				550,248	470,023
RECEIVABLES, net of allowance for uncollectibles of $16,270 in 1988 and $13,779 in 1987 (Note 1)	61,274	254		13	61,541	61,666
INTERFUND RECEIVABLES (Note 2)	83	152			235	93
TOTAL ASSETS	$ 612,347	$ 36,519	$ 366,986	$ 6,278	$ 1,022,130	$ 902,082
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
WARRANTS PAYABLE	$ 4,107	$ 2,170		$ 228	$ 6,505	$ 6,174
ACCOUNTS PAYABLE AND ACCRUALS	3,267	22,093		3,399	28,759	22,121
INTERFUND PAYABLES (Note 2)			$ 75,669		75,669	59,408
DEFERRED REVENUE	1,343	5,957		1,870	9,170	8,187
MEMBERS DEPOSITS			290,468		290,468	268,527
TOTAL LIABILITIES	8,717	30,220	366,137	5,497	410,571	364,417
FUND BALANCES:						
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	603,630				603,630	525,062
UNRESERVED		6,299	849	781	7,929	12,603
TOTAL FUND BALANCES	603,630	6,299	849	781	611,559	537,665
TOTAL LIABILITIES AND FUND BALANCES	$ 612,347	$ 36,519	$ 366,986	$ 6,278	$ 1,022,130	$ 902,082

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
REVENUES:						
EMPLOYER PREMIUMS	$ 211,342				$ 211,342	$ 198,332
MEMBER CONTRIBUTIONS		$ 30,553		$11,362	41,915	32,359
STATE CONTRIBUTIONS		73,219		6,129	79,348	69,244
INTEREST INCOME	43,129	2,020	$ 27,671	398	73,218	62,635
FEDERAL	12,647				12,647	11,043
OTHER						159
TOTAL REVENUES	267,118	105,792	27,671	17,889	418,470	373,772
EXPENDITURES:						
BENEFITS	188,550	83,847		18,797	291,194	268,591
INSURANCE PREMIUMS		23,051			23,051	17,033
INTEREST ON DEPOSITS			27,070		27,070	19,466
ADMINISTRATIVE FEES		2,505	269	507	3,281	5,024
TOTAL EXPENDITURES	188,550	109,403	27,339	19,304	344,596	310,114
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	78,568	(3,611)	332	(1,415)	73,874	63,658
FUND BALANCES, JULY 1	525,062	9,910	497	2,196	537,665	474,007
FUND BALANCES, JUNE 30	$ 603,630	$ 6,299	$ 829	$ 781	$ 611,539	$ 537,665

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
NONEXPENDABLE AND PENSION TRUST FUNDS
JUNE 30, 1988

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS	
ASSETS	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1988	JUNE 30, 1987
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	$ 17,524	$ 6,367	$ 8,198	$ 32,089	$ 702,053	$ 734,142	$ 843,903
RECEIVABLES:							
INTEREST AND DIVIDENDS	155		1,166	1,321	76,145	77,466	59,715
DUE FROM OTHER GOVERNMENTS	3,956	4,899		8,855	13,380	22,235	18,765
NOTES RECEIVABLE	2,386			2,386		2,386	2,022
OTHER	71			71	1,202	1,273	50,632
INTERFUND RECEIVABLES (Note 2)	1,554			1,554	7,976	9,530	11,326
PREPAID EXPENSES	1			1		1	
TOTAL CURRENT ASSETS	25,647	11,266	9,364	46,277	800,756	847,033	986,363
OTHER ASSETS:							
LONG-TERM INVESTMENTS, at cost or amortized cost			70,303	70,303	5,640,565	5,710,868	4,836,235
MACHINERY AND EQUIPMENT, at cost	34			34		34	8
LESS ACCUMULATED DEPRECIATION	(10)			(10)		(10)	(5)
TOTAL FIXED ASSETS	24			24		24	3
TOTAL ASSETS	$ 25,671	$ 11,266	$ 79,667	$116,604	$6,441,321	$ 6,557,925	$ 5,822,601
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 568	$ 111		$ 679	$ 11,323	$ 12,002	$ 898
ACCOUNTS PAYABLE AND ACCRUALS	1,819	1,430	$ 1,136	4,385	48,797	53,182	109,841
INTERFUND PAYABLES (Note 2)	5		1,554	1,559		1,559	1,483
DEFERRED REVENUE	332			332		332	535
ADVANCE FROM FEDERAL GOVERNMENT	1,852			1,852		1,852	1,546
TOTAL LIABILITIES	4,576	1,541	2,690	8,807	60,120	68,927	114,303
FUND BALANCES							
RESERVED FOR BOARD OF EQUALIZATION LOAN		7,913		7,913		7,913	9,222
RESERVED FOR PENSION BENEFITS					6,381,201	6,381,201	5,612,790
RESERVED FOR CHAIRS OF EXCELLENCE			76,977	76,977		76,977	65,816
RESERVED FOR GUARANTEED STUDENT LOANS	17,855			17,855		17,855	16,618
RESERVED FOR SCHOLARSHIPS AND TEACHER LOANS	2,352			2,352		2,352	2,178
UNRESERVED	888	1,812		2,700		2,700	1,674
TOTAL FUND BALANCES	21,095	9,725	76,977	107,797	6,381,201	6,488,998	5,708,298
TOTAL LIABILITIES AND FUND BALANCES	$ 25,671	$ 11,266	$ 79,667	$116,604	$6,441,321	$ 6,557,925	$ 5,822,601

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1988	JUNE 30, 1987
OPERATING REVENUES:							
MEMBER CONTRIBUTIONS					$ 83,022	$ 83,022	$ 78,730
STATE CONTRIBUTIONS					358,863	358,863	342,341
POLITICAL SUBDIVISION CONTRIBUTIONS					34,240	34,240	29,168
INTEREST INCOME	$ 1,219	$ 145		$ 1,364	245,426	246,790	220,751
DIVIDEND INCOME					78,980	78,980	63,360
NET INCOME FROM INVESTMENT TRANSACTIONS			$ 5,833	5,833	162,285	168,118	373,529
DISCOUNT AMORTIZATION					86,714	86,714	75,440
OTHER	3,934			3,934		3,934	2,702
TOTAL OPERATING REVENUES	5,153	145	5,833	11,131	1,049,530	1,060,661	1,186,021
OPERATING EXPENSES:							
PAYMENTS TO TIAA-CREF					19,324	19,324	22,994
BENEFITS					243,992	243,992	229,300
DEPRECIATION AND AMORTIZATION	3			3		3	1
REFUNDS					17,803	17,803	21,751
AWARDS			1,184	1,184		1,184	736
LOAN CANCELLATIONS	203			203		203	144
ADMINISTRATIVE FEES	3,283		111	3,394		3,394	2,479
TOTAL OPERATING EXPENSES	3,489		1,295	4,784	281,119	285,903	277,405
OPERATING INCOME	1,664	145	4,538	6,347	768,411	774,758	908,616
NONOPERATING REVENUES (EXPENSES):							
OPERATING GRANTS	1,580			1,580		1,580	2,062
GRANT EXPENSE	(12,962)	(1,309)		(14,271)		(14,271)	(11,743)
TOTAL NONOPERATING (EXPENSES)	(11,382)	(1,309)		(12,691)		(12,691)	(9,681)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(9,7[illegible])	(1,164)	4,538	(6,344)	768,411	762,067	898,935
OPERATING TRANSFERS FROM GENERAL FUND	12,010			12,010		12,010	26,181
COLLEGE AND UNIVERSITY FUNDS			2,063	2,063		2,063	2,176
NET INCOME (LOSS)	2,292	(1,164)	6,601	7,729	768,411	776,140	928,292
OTHER CHANGES IN FUND EQUITY:							
CONTRIBUTIONS FROM PRIVATE SOURCES			4,560	4,560		4,560	10,323
NET CHANGE IN FUND EQUITY	2,292	(1,164)	11,161	12,289	768,411	780,700	938,615
FUND BALANCES, JULY 1	18,803	10,889	65,816	95,508	5,612,790	5,708,298	4,769,683
FUND BALANCES, JUNE 30	$ 21,095	$ 9,725	$ 76,977	$107,797	$6,381,201	$ 6,488,998	$ 5,708,298

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	NONEXPENDABLE TRUST						
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	TOTALS FOR THE YEAR ENDED JUNE 30, 1988	TOTALS FOR THE YEAR ENDED JUNE 30, 1987
SOURCES OF WORKING CAPITAL:							
OPERATIONS:							
NET INCOME (LOSS)	$ 2,292	$ (1,164)	$ 6,601	$ 7,729	$ 768,411	$ 776,140	$ 928,292
ITEMS NOT PROVIDING WORKING CAPITAL - DISCOUNT AMORTIZATION					(86,714)	(86,714)	(75,440)
DEPRECIATION AND AMORTIZATION	3			3		3	1
WORKING CAPITAL PROVIDED BY OPERATIONS	2,295	(1,164)	6,601	7,732	681,697	689,429	852,853
CONTRIBUTIONS FROM PRIVATE SOURCES			4,560	4,560		4,560	10,323
TOTAL SOURCES OF WORKING CAPITAL	2,295	(1,164)	11,161	12,292	681,697	693,989	863,176
USES OF WORKING CAPITAL:							
PURCHASE OF LONG-TERM INVESTMENTS			16,459	16,459	771,460	787,919	563,675
ACQUISITIONS OF FIXED ASSETS	24			24		24	
TOTAL USES OF WORKING CAPITAL	24		16,459	16,483	771,460	787,943	563,675
NET CHANGE IN WORKING CAPITAL	$ 2,271	$ (1,164)	$ (5,298)	$ (4,191)	$ (89,763)	$ (93,954)	$ 299,501
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:							
CASH	$ 2,409	$ (1,160)	$ (4,397)	$ (3,148)	$ (106,613)	$ (109,761)	$ 308,163
INVESTMENTS							(10,015)
RECEIVABLES	1,117	954	310	2,381	(30,155)	(27,774)	8,088
INTERFUND RECEIVABLES	75			75	(1,871)	(1,796)	8,469
PREPAID EXPENSES	1			1		1	
WARRANTS PAYABLE	(64)	(92)		(156)	(10,948)	(11,104)	361
ACCOUNTS PAYABLE AND ACCRUALS	(1,163)	(866)	(1,136)	(3,165)	59,824	56,659	(23,587)
INTERFUND PAYABLES	(1)		(75)	(76)		(76)	(1,328)
DEFERRED REVENUE	203			203		203	(468)
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS							10,015
ADVANCE FROM FEDERAL GOVERNMENT	(306)			(306)		(306)	(197)
NET CHANGE IN WORKING CAPITAL	$ 2,271	$ (1,164)	$ (5,298)	$ (4,191)	$ (89,763)	$ (93,954)	$ 299,501

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	LOCAL GOVERNMENT	CONTINGENT REVENUE	DEFERRED COMPENSATION (Note 4)	BOND REFUNDING (Note 3)	COMMUNITY DEVELOPMENT	TOTALS JUNE 30, 1988	TOTALS JUNE 30, 1987
CASH AND CASH EQUIVALENTS	$ 113,519	$ 57,912		$ 38	$ 806	$ 172,228	$ 166,868
INVESTMENTS		2	$ 38,641	43,420		82,063	76,148
DUE FROM OTHER GOVERNMENTS					21,301	21,301	16,787
ACCOUNTS RECEIVABLE				1,388		1,388	1,389
INTERFUND RECEIVABLES (Note 2)		4,555	223			4,778	4,060
TOTAL ASSETS	$ 113,519	$ 62,469	$ 38,864	$ 44,846	$ 22,107	$ 279,864	$ 266,252
LIABILITIES							
LIABILITIES:							
WARRANTS PAYABLE	$ 123	$ 12,262				$ 12,385	$ 8,608
ACCOUNTS PAYABLE AND ACCRUALS	113,396	11,460				124,856	113,143
AMOUNTS HELD IN CUSTODY FOR OTHERS		38,747	$ 38,864	$ 44,846		122,456	127,282
ADVANCES FROM FEDERAL GOVERNMENT					$ 22,107	22,107	17,219
TOTAL LIABILITIES	$ 113,519	$ 62,469	$ 38,864	$ 44,846	$ 22,107	$ 279,864	$ 266,252

See accompanying Notes to the Financial Statements.

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STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

LOCAL GOVERNMENT FUND	BALANCE JULY 1, 1987	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1988
ASSETS				
CASH AND CASH EQUIVALENTS	$ 105,832	$ 1,084,549	$ 1,076,862	$ 113,519
LIABILITIES				
WARRANTS PAYABLE	$ 455	$ 369,562	$ 369,894	$ 123
ACCOUNTS PAYABLE AND ACCRUALS	105,377	2,111,842	2,103,823	113,396
TOTAL LIABILITIES	$ 105,832	$ 2,481,404	$ 2,473,717	$ 113,519
CONTINGENT REVENUE FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 60,178	$ 278,881	$ 281,147	$ 57,912
INVESTMENTS		2		2
DUE FROM OTHER GOVERNMENTS	400		400	
INTERFUND RECEIVABLES (Note 2)	3,899	4,555	3,899	4,555
TOTAL ASSETS	$ 64,477	$ 283,438	$ 285,446	$ 62,469
LIABILITIES				
WARRANTS PAYABLE	$ 8,153	$ 227,254	$ 223,145	$ 12,262
ACCOUNTS PAYABLE AND ACCRUALS	6,766	451,635	446,941	11,460
AMOUNTS HELD IN CUSTODY FOR OTHERS	49,558	56,118	66,929	38,747
TOTAL LIABILITIES	$ 64,477	$ 735,007	$ 737,015	$ 62,469
DEFERRED COMPENSATION FUND				
ASSETS				
INVESTMENTS	$ 32,053	$ 8,791	$ 4,203	$ 36,641
INTERFUND RECEIVABLE	161	223	161	223
TOTAL ASSETS	$ 32,214	$ 9,014	$ 4,364	$ 36,864
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS	$ 32,214	$ 9,014	$ 4,364	$ 36,864

See accompanying notes to the
Financial statements.

BOND REFUNDING	BALANCE JULY 1, 1987	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1988
ASSETS				
CASH AND CASH EQUIVALENTS	$ 26	$ 10,982	$ 10,972	$ 36
INVESTMENTS	44,095	25	700	43,420
ACCOUNTS RECEIVABLE	1,389	1,389	1,389	1,389
TOTAL ASSETS	$ 45,510	$ 12,396	$ 13,061	$ 44,845
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS	$ 45,510	$ 8,893	$ 9,558	$ 44,845
TOTAL LIABILITIES	$ 45,510	$ 8,893	$ 9,558	$ 44,845
COMMUNITY DEVELOPMENT				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 832	$ 34		$ 866
DUE FROM OTHER GOVERNMENTS	16,387	4,914		21,301
TOTAL ASSETS	$ 17,219	$ 4,948		$ 22,167
LIABILITIES				
ADVANCES FROM FEDERAL GOVERNMENT	$ 17,219	$ 4,948		$ 22,167
TOTAL LIABILITIES	$ 17,219	$ 4,948		$ 22,167
TOTALS-ALL AGENCY FUNDS				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 166,868	$ 1,374,446	$ 1,368,981	$ 172,333
INVESTMENTS	76,148	8,818	4,903	80,063
DUE FROM OTHER GOVERNMENTS	16,787	4,914	400	21,301
ACCOUNTS RECEIVABLE	1,389	1,389	1,389	1,389
INTERFUND RECEIVABLES (Note 2)	4,060	4,778	4,060	4,778
TOTAL ASSETS	$ 265,252	$ 1,394,345	$ 1,379,733	$ 279,864
LIABILITIES				
WARRANTS PAYABLE	$ 8,608	$ 596,816	$ 593,039	$ 12,385
ACCOUNTS PAYABLE AND ACCRUALS	112,143	2,563,477	2,550,764	124,856
AMOUNTS HELD IN CUSTODY FOR OTHERS	127,282	74,025	80,851	120,456
ADVANCES FROM FEDERAL GOVERNMENT	17,219	4,948		22,167
TOTAL LIABILITIES	$ 265,252	$ 3,239,266	$ 3,224,654	$ 279,864

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1986

(Expressed in Thousands)

GENERAL FIXED ASSETS:	
LAND	$ 79,151
STRUCTURES AND IMPROVEMENTS	686,865
MACHINERY AND EQUIPMENT	192,214
CONSTRUCTION IN PROGRESS	32,450
TOTAL GENERAL FIXED ASSETS	$ 990,680
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	$ 58,872
GENERAL OBLIGATION BONDS	87,501
FEDERAL GRANTS	21,714
LOCAL GRANTS	2,641
OTHER	283
GENERAL FUND REVENUES	80,494
SPECIAL REVENUE FUNDS REVENUES	46,042
DONATIONS	4,859
OTHER	104
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984	687,190
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	$ 990,680

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1988

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			$ 796	$ 796
CONSTITUTIONAL OFFICES			2,145	2,145
ADMINISTRATION	$ 18,422	$ 162,849	4,841	186,112
REVENUE	2	263	2,416	2,681
TOTAL GENERAL GOVERNMENT	18,424	163,112	10,198	191,734
EDUCATION	743	59,927	10,275	70,945
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS			13	13
EMPLOYMENT SECURITY	594	3,394	7,733	11,721
LABOR			900	900
MENTAL HEALTH AND MENTAL RETARDATION	2,401	126,635	9,814	138,850
HEALTH AND ENVIRONMENT	352	25,893	7,223	33,468
HUMAN SERVICES	186	6,577	8,920	15,683
TOTAL HEALTH AND SOCIAL SERVICES	3,533	162,499	34,603	200,635
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	250		2,878	3,128
CORRECTION	1,515	115,436	12,428	129,379
MILITARY	1,990	50,042	1,771	53,803
BUREAU OF CRIMINAL INVESTIGATION		1,145	5,194	6,339
SAFETY	319	10,525	19,023	29,867
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	4,074	177,148	41,294	222,516
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	115	5,259	1,179	6,553
TOURIST DEVELOPMENT			250	250
CONSERVATION	33,545	96,808	16,342	146,695
WILDLIFE RESOURCES	16,591	7,900	5,460	29,951
ECONOMIC AND COMMUNITY DEVELOPMENT			1,605	1,605
TOTAL RECREATION AND RESOURCES DEVELOPMENT	50,251	109,967	24,836	185,054
REGULATION OF BUSINESS AND PROFESSIONS:				
COMMERCE AND INSURANCE			508	508
FINANCIAL INSTITUTIONS			91	91
TOTAL REGULATION OF BUSINESS AND PROFESSIONS			599	599
TRANSPORTATION	2,126	14,212	70,409	86,747
TOTALS ALLOCATED TO FUNCTIONS	$ 79,151	$ 686,865	$ 192,214	958,230
CONSTRUCTION IN PROGRESS				32,450
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)				$ 990,680

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS, JULY 1, 1987	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS, JUNE 30, 1988
GENERAL GOVERNMENT:				
LEGISLATIVE	$ 682	$ 136	$ 22	$ 796
CONSTITUTIONAL OFFICES	1,757	480	92	2,145
ADMINISTRATION	175,043	12,225	1,156	186,112
REVENUE	2,431	284	34	2,681
TOTAL GENERAL GOVERNMENT	179,913	13,125	1,304	191,734
EDUCATION	71,988	939	1,982	70,945
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	8	8	3	13
EMPLOYMENT SECURITY	10,406	1,323	8	11,721
LABOR	871	56	27	900
MENTAL HEALTH AND MENTAL RETARDATION	138,152	1,244	546	138,850
HEALTH AND ENVIRONMENT	34,037	1,737	2,306	33,468
HUMAN SERVICES	13,831	2,262	410	15,683
TOTAL HEALTH AND SOCIAL SERVICES	197,305	6,630	3,300	200,635
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	2,720	427	19	3,128
CORRECTION	121,490	8,869	980	129,379
MILITARY	49,231	4,646	74	53,803
BUREAU OF CRIMINAL INVESTIGATION	5,832	683	176	6,339
SAFETY	27,757	3,957	1,847	29,867
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	207,030	18,582	3,096	222,516
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	6,108	451	6	6,553
TOURIST DEVELOPMENT	221	30	1	250
CONSERVATION	140,925	6,378	608	146,695
WILDLIFE RESOURCES	27,517	2,620	186	29,951
ECONOMIC AND COMMUNITY DEVELOPMENT	1,201	471	67	1,605
TOTAL RECREATION AND RESOURCES DEVELOPMENT	175,972	9,950	868	185,054
REGULATION OF BUSINESS AND PROFESSIONS:				
COMMERCE AND INSURANCE	400	123	15	508
FINANCIAL INSTITUTIONS	37	56	2	91
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	437	179	17	599
TRANSPORTATION	79,205	11,090	3,548	86,747
CONSTRUCTION IN PROGRESS	15,008	41,256	23,814	32,450
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)	$ 926,858	$101,751	$ 37,929	$ 990,680

See accompanying Notes to the
Financial Statements.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds, for accrued annual and compensatory leave for employees paid from the Governmental Fund Types, and for capital lease obligations.

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	BALANCE JULY 1, 1987	GENERAL OBLIGATION BONDS RETIRED	DEBT SERVICE FUND OPERATIONS	RESERVED FOR BOND CANCELLATION	OTHER INCREASES	BALANCE JUNE 30, 1988
AMOUNT AVAILABLE IN DEBT SERVICE FUND	$ 1,458		$ (2,968)	$ 3 900		$ 2,390
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	762,879	$ 64,117	2,968	(3,900)	$ 7,123	704,953
TOTAL AVAILABLE AND TO BE PROVIDED	$ 764,337	$ 64,117	$ -	$ -	$ 7,123	$ 707,343
GENERAL OBLIGATION DEBT PAYABLE (Note 3)	$ 679,720	$ 64,117				$ 615,603
ACCRUED ANNUAL AND COMPENSATORY LEAVE	84,577				$ 7,121	91,698
CAPITAL LEASE OBLIGATIONS	40				2	42
	$ 764,337	$ 64,117	$ -	$ -	$ 7,123	$ 707,343

See accompanying Notes to the Financial Statements.

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College And University Funds

The College and University Funds are used to account for all transactions relating to public institutions of higher education and the state's area vocational-technical schools. These include seven universities, ten community colleges, four technical institutes and twenty-seven area vocational schools. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Department of Finance and Administration.

Two governing boards are responsible for the operations of these institutions - the University of Tennessee Board of Trustees and the State Board of Regents. Coordination between these boards for such things as budgetary and capital outlay requests, the need for and location of new education institutions, and the approval of new academic and degree programs is provided by the Tennessee Higher Education Commission.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

The State Board of Regents - The State University and Community College System of Tennessee was created by the General Assembly in 1972. Its member institutions (six universities, ten community colleges, four technical institutes and twenty-seven area vocational-technical schools) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville
East Tennessee State University	Johnson City
Memphis State University	Memphis
Middle Tennessee State University	Murfreesboro
Tennessee State University	Nashville
Tennessee Technological University	Cookeville

COMMUNITY COLLEGES

Chattanooga State Technical Community College	Chattanooga
Cleveland State Community College	Cleveland
Columbia State Community College	Columbia
Dyersburg State Community College	Dyersburg
Jackson State Community College	Jackson
Motlow State Community College	Tullahoma
Roane State Community College	Harriman
Shelby State Community College	Memphis
Volunteer State Community College	Gallatin
Walters State Community College	Morristown

The community college movement is relatively new in Tennessee. Emerging from legislative study in the early 1960's, nine of the ten existing colleges were established by the General Assembly between 1965 and 1969. The locations of these institutions were determined by population need patterns. An act of the 1973 General Assembly changed the Chattanooga State Technical Institute to Chattanooga State Technical Community College, representing the 10th community college in the state. A broad range of two-year associate degree programs and one-to-two year certificate of proficiency programs is offered by each college.

STATE TECHNICAL INSTITUTES

Effective July 1, 1983 the governance of the state technical institutes was transferred from the State Department of Education to the State Board of Regents. The names and locations of the state technical institutes are:

Nashville State Technical Institute	Nashville
State Technical Institute at Knoxville	Knoxville
State Technical Institute at Memphis	Memphis
Tri-Cities State Technical Institute	Blountville

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.

STATE AREA VOCATIONAL-TECHNICAL SCHOOLS

The state area vocational-technical schools were transferred from the State Department of Education to the State Board of Regents effective July 1, 1983. The twenty-seven area schools are located in the following Tennessee cities:

Athens
Chattanooga
Covington
Crossville
Dickson
Elizabethton
Harriman
Hartsville
Hohenwald
Jacksboro
Jackson
Knoxville
Livingston
McKenzie
McMinnville
Memphis
Morristown
Murfreesboro
Nashville
Newbern
Oneida
Paris
Pulaski
Ripley
Savannah
Shelbyville
Whiteville

The purpose of the area vocational-technical schools is to provide occupational and technical training for current and future employees of existing and prospective industries and businesses of this state.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1988

(Expressed in Thousands)

	CURRENT FUNDS				
ASSETS	UNRESTRICTED	RESTRICTED	LOAN	ENDOWMENT AND SIMILAR	LIFE INCOME
CASH AND CASH EQUIVALENTS	$ 68,874	$ 12,905	$ 4,110	$ 13,442	$ 865
CASH ON DEPOSIT WITH FISCAL AGENTS					
INVESTMENTS	72,595	2,337	600	78,115	12,708
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $29,538 in 1988 and $25,427 in 1987	42,648	35,285	1,139	100	89
NOTES RECEIVABLE, net of allowance for uncollectibles of $7,665 in 1988 and $7,570 in 1987	4,306	10	38,745		
INTERFUND RECEIVABLES (Note 2)	36,316	1,395	22	1,719	
INVENTORIES	17,696				
PREPAID EXPENSES	2,010				
LAND					
STRUCTURES AND IMPROVEMENTS					
MACHINERY AND EQUIPMENT					
CONSTRUCTION IN PROGRESS					
OTHER ASSETS	9	6	29	40	
TOTAL ASSETS	$ 244,454	$ 51,938	$ 44,645	$ 93,416	$ 13,662
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
ACCOUNTS PAYABLE	$ 43,606	$ 3,972		$ 434	
ACCRUED LIABILITIES	81,765	747			
INTERFUND PAYABLES (Note 2)	5,663	2,216			$ 39
NOTES PAYABLE (Note 3)					
BONDS PAYABLE (Note 3)					
LEASE OBLIGATIONS PAYABLE (Note 3)					
DEFERRED REVENUE	30,065				
AMOUNTS HELD IN CUSTODY FOR OTHERS					
DEPOSITS PAYABLE	2,922				
OTHER	5,562				
TOTAL LIABILITIES	169,583	6,935		434	39
FUND EQUITY:					
NET INVESTMENT IN PLANT					
FUND BALANCE (Notes 1 and 2):					
RESERVED FOR:					
WORKING CAPITAL	48,766				
ENCUMBRANCES	16,925				
U. S. GOVERNMENT GRANTS REFUNDABLE			$ 36,326		
INSTITUTIONAL LOAN FUNDS					
ENDOWMENT				74,395	
TERM ENDOWMENT				17	
LIFE INCOME					13,623
PLANT					
OTHER	4,916	45,003			
UNRESERVED:					
DESIGNATED:					
INSTITUTIONAL LOAN FUNDS			8,278		
QUASI-ENDOWMENT				18,570	
OTHER	7,411				
UNDESIGNATED	(3,147)		41		
TOTAL FUND EQUITY	74,871	45,003	44,645	92,982	13,623
TOTAL LIABILITIES AND FUND BALANCE	$ 244,454	$ 51,938	$ 44,645	$ 93,416	$ 13,662

See accompanying Notes to the Financial Statements.

PLANT FUNDS					TOTALS	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY	JUNE 30, 1988	JUNE 30, 1987
$ 35,941	$ 8,001	$ 26,459		$ 4,390	$ 174,987	$ 258,298
		27,954			27,954	28,715
933	7,696	1,085		6,231	182,300	85,259
520	36	21		219	86,057	64,211
37					43,008	44,759
7,649	16,997	3,230		1,904	69,232	54,455
					17,696	22,083
					2,010	1,544
			$ 59,947		59,947	55,397
			1,296,167		1,296,167	1,210,988
			562,576		562,576	499,010
			24,725		24,725	22,826
			753	2,015	2,852	6,763
$ 45,080	$ 32,730	$ 58,749	$ 1,944,168	$ 14,759	$ 2,543,601	$ 2,354,308
$ 3,984	$ 64	$ 21		$ 41	$ 52,122	$ 44,521
1			$ 768		83,281	75,969
					7,918	10,571
863			60,905		61,768	35,069
			253,691		253,691	262,789
			3,700		3,700	8,447
					30,065	28,228
				14,718	14,718	14,532
					2,922	2,224
					5,562	11,385
4,848	64	21	319,064	14,759	515,747	493,735
			1,625,104		1,625,104	1,485,938
					48,768	40,941
					16,925	15,616
					38,326	34,807
						7,998
					74,395	60,897
					17	17
					12,623	17,301
4,732	114	31,556			36,402	47,780
					49,919	47,629
					8,278	43
					18,570	12,550
35,456	32,552	6,758			82,177	71,610
44		20,414			17,352	17,446
40,232	32,666	58,728	1,625,104		2,027,854	1,860,573
$ 45,080	$ 32,730	$ 58,749	$ 1,944,168	$ 14,759	$ 2,543,601	$ 2,354,308

Supplementary Schedules

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 1988

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			STATE LOAN PROGRAM FUND DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1989	$ 61,367	$ 36,420	$ 97,787	$ 2,975	$ 3,792	$ 6,767
1990	61,367	33,041	94,408	3,050	3,629	6,679
1991	58,717	29,745	88,462	3,195	3,461	6,656
1992	53,917	26,511	80,428	3,355	3,285	6,640
1993	47,376	23,596	70,972	3,550	3,100	6,650
1994	47,376	20,836	68,212	3,715	2,903	6,618
1995	44,376	18,161	62,537	3,900	2,695	6,595
1996	38,876	15,566	54,442	3,775	2,474	6,249
1997	27,076	13,308	40,384	3,015	2,256	5,271
1998	22,336	11,564	33,900	3,070	2,079	5,149
1999	22,336	10,042	32,378	3,270	1,896	5,166
2000	22,336	8,512	30,848	3,465	1,700	5,165
2001	20,421	6,980	27,401	3,335	1,490	4,825
2002	20,421	5,591	26,012	3,530	1,293	4,823
2003	15,421	4,201	19,622	3,120	1,082	4,202
2004	15,421	3,229	18,650	3,310	891	4,201
2005	15,421	2,257	17,678	3,195	688	3,883
2006	15,421	1,287	16,708	1,930	488	2,418
2007	5,621	315	5,936	1,090	361	1,451
2008				1,160	279	1,439
2009				1,235	192	1,427
2010				1,325	99	1,424
TOTALS	$ 615,603	$ 271,162	$886,765	$ 63,565	$ 40,133	$103,698

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 1988

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	HOUSING DEVELOPMENT AGENCY DEBT (NOTE)			LOCAL DEVELOPMENT AUTHORITY DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1989	$ 25,967	$ 86,691	$ 112,658	$ 1,586	$ 4,174	$ 5,760
1990	28,902	85,774	114,676	1,702	4,058	5,760
1991	30,688	83,595	114,283	1,834	3,925	5,759
1992	33,548	81,179	114,727	1,982	3,778	5,760
1993	34,975	78,538	113,513	2,147	3,614	5,761
1994	34,888	75,756	110,644	2,330	3,431	5,761
1995	36,232	72,819	109,051	2,532	3,228	5,760
1996	47,339	69,053	116,392	2,755	3,005	5,760
1997	37,758	65,223	102,981	2,768	2,758	5,526
1998	41,375	64,908	106,283	3,022	2,504	5,526
1999	36,633	64,599	101,232	2,815	2,296	5,111
2000	34,640	61,525	96,165	3,013	2,099	5,112
2001	39,033	58,354	97,387	2,084	1,885	3,969
2002	48,590	54,427	103,017	2,237	1,733	3,970
2003	52,346	49,780	102,126	2,397	1,570	3,967
2004	48,262	43,284	91,546	2,228	1,396	3,624
2005	44,111	52,209	96,320	2,312	1,231	3,543
2006	55,106	63,060	118,166	1,485	1,060	2,545
2007	46,080	68,751	114,831	1,596	948	2,544
2008	41,129	89,803	130,932	1,715	829	2,544
2009	34,961	86,942	121,903	1,843	701	2,544
2010	35,623	95,222	130,845	1,980	564	2,544
2011	27,273	92,996	120,269	2,065	417	2,482
2012	20,689	91,389	112,078	1,595	264	1,859
2013	22,929	88,511	111,440	942	182	1,124
2014	24,098	75,970	100,068	799	132	931
2015	24,878	68,649	93,527	805	79	884
2016	26,396	33,298	59,694			
2017	26,110	13,810	39,920			
2018	16,908	18,829	35,737			
2019	17,197	1,924	19,121			
2020	14,360	606	14,966			
TOTALS	$ 1,089,024	$ 2,037,474	$ 3,126,498	$ 54,569	$ 51,861	$ 106,430

NOTE: Tennessee Housing Development Agency debt principal above is less than that presented in the accompanying financial statements by $16,050. This amount, representing the accretion to date of interest on municipal multiplier bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2005-2018) in which the bonds mature.

Tennessee State School Bond Authority debt principal above is more than that presented in the accompanying financial statements by $267. This amount represents the write-off of discounts in those years (1988-1992) preceding the first principal payment in 1993.

COLLEGE AND UNIVERSITY DEBT			TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT		
PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
$ 9,763	$ 18,056	$ 27,819		$ 4,400	$ 4,400
10,366	17,430	27,796		4,400	4,400
11,058	16,759	27,817		4,400	4,400
11,800	16,031	27,831		4,400	4,400
12,413	15,243	27,656	$ 2,047	4,489	6,536
9,377	14,398	23,775	2,160	4,379	6,539
9,902	13,853	23,755	2,279	4,260	6,539
10,467	13,272	23,739	2,410	4,130	6,540
10,756	12,647	23,403	2,549	3,988	6,537
11,157	11,998	23,155	2,702	3,835	6,537
11,824	11,293	23,117	2,868	3,668	6,536
12,422	10,544	22,966	3,053	3,486	6,539
10,889	9,745	20,634	3,189	3,288	6,477
13,229	9,018	22,247	3,400	3,078	6,478
10,595	8,161	18,756	3,159	2,852	6,011
11,307	7,422	18,729	3,374	2,637	6,011
11,974	6,627	18,601	3,608	2,404	6,012
10,216	5,781	15,997	3,853	2,154	6,007
7,477	5,009	12,486	4,119	1,888	6,007
7,122	4,373	11,495	4,407	1,604	6,011
7,712	3,724	11,436	4,705	1,300	6,005
8,372	3,021	11,393	5,032	977	6,009
8,448	2,253	10,701	4,831	631	5,462
7,955	1,482	9,437	5,189	273	5,462
2,205	709	2,914			
2,360	489	2,849			
2,525	252	2,777			
$ 253,691	$ 239,590	$ 493,281	$ 68,934	$ 72,921	$ 141,855

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 1988

(Expressed in Thousands)

	GENERAL OBLIGATION BONDS		REVENUE BONDS	
FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT	STATE LOAN PROGRAM DEBT	HOUSING DEVELOPMENT AGENCY DEBT	LOCAL DEVELOPMENT AUTHORITY DEBT
1989	$ 92,787	$ 6,767	$ 112,658	$ 5,760
1990	94,408	6,679	114,676	5,760
1991	88,462	6,656	114,283	5,759
1992	80,428	6,640	114,727	5,760
1993	70,972	6,650	113,513	5,761
1994	68,212	6,618	110,644	5,761
1995	62,537	6,595	108,051	5,760
1996	54,442	6,249	116,392	5,760
1997	40,384	5,271	102,981	5,526
1998	33,900	5,149	106,283	5,526
1999	32,378	5,166	101,232	5,111
2000	30,848	5,165	96,165	5,112
2001	27,401	4,825	97,387	3,969
2002	26,012	4,823	103,017	3,970
2003	19,522	4,202	102,126	3,967
2004	18,850	4,201	91,546	3,624
2005	17,678	3,883	96,320	3,543
2006	16,708	2,418	118,166	2,545
2007	5,936	1,451	114,831	2,544
2008		1,439	130,932	2,544
2009		1,427	121,903	2,544
2010		1,424	130,845	2,544
2011			120,269	2,482
2012			112,078	1,859
2013			111,440	1,124
2014			106,088	931
2015			93,527	884
2016			59,694	
2017			39,920	
2018			35,737	
2019			18,121	
2020			14,986	
TOTALS	$ 886,765	$ 103,698	$ 3,126,498	$ 106,430

REVENUE BONDS COLLEGE AND UNIVERSITY DEBT	TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT	TOTAL REQUIREMENTS
$ 27,819	$ 4,400	$ 255,191
27,796	4,400	253,719
27,817	4,400	247,377
27,831	4,400	238,786
27,656	6,535	231,088
23,775	6,539	221,549
23,755	6,539	214,237
23,739	6,540	213,122
23,403	6,537	184,162
23,155	6,537	180,550
23,117	6,538	173,540
22,966	6,539	166,795
20,634	6,477	160,693
22,247	6,478	166,547
18,756	6,011	154,684
18,729	6,011	142,761
18,601	6,012	146,037
15,997	6,007	161,841
12,486	6,007	143,255
11,495	6,011	152,421
11,436	6,005	143,315
11,393	6,009	152,215
10,701	5,462	138,914
9,437	5,462	128,836
2,914		115,478
2,849		103,848
2,777		97,188
		58,694
		38,920
		35,737
		18,121
		14,968
$ 493,281	$ 141,855	$ 4,858,527

SCHEDULE 4

STATE OF TENNESSEE
SCHEDULE OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

(Expressed in Thousands)

	JUNE 30				
	1984	1985	1986	1987	1988
CAPITAL PROJECTS FUND - BOND ANTICIPATION NOTES	$ 88,520	$ 67,770	$ 115,800	$ 14,800	$ 7,400
ENTERPRISE FUNDS:					
LOCAL DEVELOPMENT AUTHORITY NOTES	78,280	90,200	62,500	61,500	61,432
LOCAL DEVELOPMENT AUTHORITY BONDS		58,662	57,455	56,053	54,569
LOCAL DEVELOPMENT AUTHORITY CALL PREMIUMS				733	733
STATE LOAN PROGRAM BONDS	73,930	71,540	69,025	66,370	63,565
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	655,557	822,816	970,386	1,025,310	1,105,074
	807,767	1,043,218	1,159,366	1,209,966	1,285,373
INTERNAL SERVICE FUNDS:					
INFORMATION SYSTEM SERVICES NOTES				257	
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	52,274	52,300		68,577	68,667
TENNESSEE STATE SCHOOL BOND AUTHORITY CALL PREMIUMS	1,533	1,533		1,979	1,979
	53,807	53,833		70,813	70,646
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP - BONDS	530,820	480,695	626,570	679,720	615,603
COLLEGE AND UNIVERSITY FUNDS:					
ENDOWMENT FUND NOTES	16	16	16		
PLANT FUND NOTES	2,067	20,934	44,175	35,069	61,768
PLANT FUND BONDS	238,709	245,477	272,844	262,789	253,691
	240,792	266,427	317,035	297,858	315,459
TOTALS	$ 1,721,706	$ 1,911,943	$ 2,218,771	$ 2,273,157	$ 2,294,481

STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE

(Expressed in Thousands)

REVENUES BY SOURCE

Fiscal Year	Member Contributions	Employer Contributions	Investment Income	Contributions for TIAA/CREF	Total
1979	$ 76,535	$ 202,076	$ 98,853	$ 9,888	$ 387,352
1980	81,676	216,556	124,923	10,791	433,946
1981	89,452	222,702	162,071	11,555	485,780
1982	54,073	277,141	220,079	12,128	563,421
1983	57,318	271,439	272,633	13,203	614,593
1984	59,777	278,032	342,868	14,450	695,127
1985	66,726	313,438	354,196	17,598	751,958
1986	71,692	342,879	564,297	20,118	998,986
1987	78,730	348,514	726,663	22,995	1,176,902
1988	83,022	373,778	573,406	19,324	1,049,530

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Contributions to TIAA/CREF	Total
1979	$ 104,676	$ 17,614	$ 9,872	$ 132,162
1980	114,730	21,677	10,790	147,197
1981	125,477	21,877	11,560	158,914
1982	139,377	24,194	12,127	175,698
1983	154,443	20,708	13,203	188,354
1984	168,411	23,259	14,451	206,121
1985	185,666	22,774	17,597	226,037
1986	204,645	21,302	20,118	246,065
1987	229,301	21,751	22,994	274,046
1988	243,994	17,802	19,324	281,120

Contributions were made in accordance with actuarially determined contribution requirements. Member contributions decreased and employer contributions increased in fiscal year 1982 due to noncontributory legislation effective July 1, 1981.

Statistical And Economic Data

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

TABLE I

STATE OF TENNESSEE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
SOURCE	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
TAXES	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	$2,776,915	$2,990,732	$3,269,689	$3,513,827
LICENSES, FINES, FEES AND PERMITS	35,602	38,260	40,359	45,283	47,601	60,320	64,370	61,935	71,633	78,715
INTEREST ON INVESTMENTS	52,994	72,354	60,975	71,243	62,981	56,567	77,935	79,664	72,706	74,367
FEDERAL	925,536	1,104,412	1,174,990	1,039,894	1,062,387	1,308,304	1,372,825	1,584,056	1,623,824	1,746,823
DEPARTMENTAL SERVICES	138,246	168,282	179,939	194,046	201,550	215,753	245,246	271,027	294,701	332,371
OTHER	5,246	10,083	7,817	13,234	10,148	9,368	10,273	12,858	16,825	34,011
TOTAL REVENUES-ALL GOVERNMENTAL FUND TYPES	$2,837,826	$3,123,288	$3,264,511	$3,322,963	$3,432,270	$3,945,356	$4,547,564	$5,000,272	$5,349,378	$5,780,114

TABLE II

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
FUNCTION	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GENERAL GOVERNMENT	$ 134,539	$ 174,117	$ 179,184	$ 153,618	$ 134,967	$ 134,998	$ 161,615	$ 177,487	$ 190,744	$ 203,405
EDUCATION	823,474	916,165	964,925	981,371	970,362	981,080	1,167,879	1,271,638	1,368,750	1,447,291
HEALTH AND SOCIAL SERVICES	825,890	959,620	1,028,512	1,035,710	1,105,524	1,295,742	1,380,586	1,647,763	1,824,290	2,040,323
LAW, JUSTICE AND PUBLIC SAFETY	128,982	145,516	162,715	176,964	193,465	212,925	256,243	300,349	356,893	391,384
RECREATION AND RESOURCES DEVELOPMENT	56,941	64,538	68,366	71,031	77,842	112,285	136,274	144,204	149,999	151,234
REGULATION OF BUSINESS AND PROFESSIONS	12,722	13,808	14,245	15,330	16,643	13,566	15,920	20,127	22,362	23,097
TRANSPORTATION	392,202	479,599	447,850	429,587	427,695	544,367	606,783	654,294	648,298	689,265
DEBT SERVICE	80,873	78,104	80,774	85,487	91,596	87,640	83,440	78,929	100,191	104,182
CAPITAL OUTLAY	56,681	58,554	52,954	41,280	25,405	31,537	41,211	59,168	72,741	77,103
TOTAL EXPENDITURES-ALL GOVERNMENTAL FUND TYPES	$2,512,304	$2,890,021	$2,999,525	$2,990,378	$3,043,499	$3,414,140	$3,849,951	$4,353,959	$4,734,268	$5,127,284

TABLE III

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

TAX REVENUES	FOR THE YEAR ENDED JUNE 30									
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
SALES AND USE	$ 886,515	$ 924,007	$ 981,106	$1,050,605	$1,106,186	$1,277,101	$1,657,724	$1,771,907	$1,893,948	$2,035,207
GASOLINE	103,003	94,167	90,511	115,758	115,398	115,270	112,792	143,714	222,774	223,846
MOTOR FUEL	20,005	19,646	20,516	30,923	31,869	35,499	36,794	38,940	50,175	61,170
PETROLEUM PRODUCTS	23,961	20,062	18,693	17,838	18,244	19,686	19,831	21,352	21,583	23,199
MOTOR VEHICLE REGISTRATION	89,894	90,761	88,785	105,635	104,607	111,892	117,897	123,957	125,897	139,834
INCOME	18,181	21,403	24,613	30,345	35,521	37,288	42,240	46,057	44,992	51,769
PRIVILEGE	28,407	28,473	28,291	26,445	29,072	37,855	41,433	49,418	59,907	48,378
GROSS RECEIPTS	71,616	77,051	89,032	99,242	105,787	110,740	112,457	111,269	114,964	117,558
ALCOHOLIC BEVERAGE	22,745	23,217	23,249	23,972	24,106	43,490	43,976	43,765	44,261	44,614
FRANCHISE	41,001	43,938	45,705	48,511	56,741	69,483	114,722	143,624	151,213	183,782
EXCISE	186,089	198,222	193,365	206,535	202,558	229,892	257,383	261,690	285,304	336,143
INHERITANCE AND ESTATE	37,492	28,307	26,674	28,639	38,208	36,426	32,939	28,812	31,757	33,484
TOBACCO	72,029	73,819	77,058	78,442	78,338	76,874	80,135	80,444	81,777	82,298
INSURANCE COMPANIES PREMIUM	55,444	60,006	62,143	63,927	67,345	71,592	85,738	103,402	120,035	116,650
OTHER	23,819	26,818	29,690	31,446	35,623	21,954	20,854	22,381	21,102	36,893
TOTAL TAX REVENUES-ALL GOVERNMENTAL FUND TYPES	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	$2,776,915	$2,990,732	$3,269,689	$3,513,827

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1988

Presented below is a brief description of the state's principal tax sources as shown in the preceding table. Since portions of some of these taxes are ultimately distributed to local governments, the preceding table reflects only those tax collections retained for state purposes.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, is the state's leading source of revenue. The current rate of 5.5% was made permanent July 1, 1985. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property and, effective June 1, 1985, was extended to include most admission and amusement charges. Certain services including charges for transient accommodations, storage and parking, and telephone service for regular subscribers are also subject to sales tax. Utilities and anti-pollution equipment are taxed at rates ranging from 1% to 1.5%. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax is now levied at the rate of 16¢ on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax was imposed at the rate of 14¢ per gallon on the sale of diesel fuel until June 1, 1987, when the rate became 15¢ a gallon. Effective July 1, 1984 a tax was levied on motor vehicles powered by liquified gas at rates ranging from $70 for passenger cars to $114 for the largest trucks. Owners of commercial vehicles may be charged additional tax based on number of miles driven in Tennessee.

SPECIAL PETROLEUM PRODUCTS TAX _ The special Petroleum Products Tax (formerly Gasoline Inspection Fee) was first enacted in 1899 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. Currently, the rate is 1¢ per gallon on volatile substances having certain gravity level which are produced from petroleum, natural gas, oil shales or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of motor vehicles. Vehicles for personal use are charged $20.50. The fee for motorcycles is $9.75. Motor freight vehicles are charged fees ranging from $39.25 to $1,301.75.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks and interest on bonds subject to an exemption of $1,250 for individuals and $2,500 for joint tax returns. Blind persons, pension trusts, profit-sharing trusts and qualifying low income persons 65 years of age or older are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer, mortgage taxes, and marriage license fees.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, firearms, and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up over 75% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of $4.00 per gallon on distilled spirits and $1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in corporate form in the state. The tax is levied at the rate of $2.50 per $1,000 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% of annual net earnings from business done in Tennessee by all corporations, co-operatives conducted for profit, joint stock associations, business trusts, state banks, national banks and savings and loan associations. Formulas are used for determining the appropriate tax for corporations doing business in Tennessee as well as other states.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally the tax was applicable only to property going to collateral heirs, but was extended to direct heirs in 1909. The rate and base are divided into two different classes and apply to all property, real and personal, with certain exemptions applicable to each class. During the 1978 and 1983 sessions of the General Assembly extensive changes were made in the inheritance, estate and gift tax statutes (Chapter 731, Public Acts, 1978 and Chapter 237, Public Acts, 1983). These changes have resulted in delays and decreases in collections.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13¢ per pack of 20 cigarettes and 6% of the wholesale cost for all other tobacco products.

COIN-OPERATED AMUSEMENT TAX - This tax, first enacted in 1983, is now applied to any coin or token-operated machine which contains a free play feature. The annual tax is $350 per device, which may be prorated for machines placed in operation after October in any year.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1945, is applied to gross premiums paid by or for policyholders residing in this state or on property located in the state. The rate is 1.75% for domestic life insurance companies, 2% for foreign life insurance companies and 2.5% for property and casualty insurance companies.

TABLE IV

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-TERM DEBT TO ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN YEARS

(Expressed in Thousands except Ratio and Per Capita Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	GENERAL LONG-TERM DEBT TOTAL (NOTE)	LESS DEBT SERVICE FUND	NET	NET GENERAL LONG-TERM DEBT RATIO TO ASSESSED VALUE	PER CAPITA
1979	4,533	$13,591,900	$650,730	$ 2,461	$648,269	4.77%	$143.01
1980	4,602	16,647,800	603,020	2,821	600,199	3.61	130.42
1981	4,612	17,350,600	590,195	2,897	587,298	3.38	127.34
1982	4,633	18,642,000	539,070	2,436	536,634	2.88	115.83
1983	4,678	21,875,000	583,445	2,143	581,302	2.66	124.26
1984	4,732	25,239,000	530,820	6,574	524,246	2.08	110.79
1985	4,758	26,453,000	480,695	3,753	476,942	1.80	100.24
1986	4,798	28,910,000	626,570	1,635	624,935	2.16	130.25
1987	4,840	31,501,000	679,720	1,458	678,262	2.15	140.14
1988	4,876(EST.)	34,499,000(EST.)	615,603	2,390	613,213	1.77	125.76

NOTE: Total General Long-Term Debt does not include State Loan Program Fund General Obligation Notes and Bonds as follows:

YEAR	NOTES	BONDS
1979	$65,000	$49,650
1980	44,000	48,330
1981	49,490	79,995
1982		78,270
1983		76,205
1984		73,930
1985		71,540
1986		69,025
1987		66,370
1988		63,565

These obligations are reported as debt of that enterprise in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 1988

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (1988 PLEDGED REVENUES OF $401,485 ÷ 150%)	$267,657
LESS - 1988 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING STATE LOAN PROGRAM FUND GENERAL OBLIGATION BONDS	110,932
LEGAL DEBT SERVICE MARGIN	$156,725

	PORTION PLEDGED	COLLECTIONS FOR FISCAL YEAR 1988 ALL GOVERNMENTAL FUND TYPES	LOCAL GOVERNMENT FUND	TOTAL	PLEDGED PER CENT	AMOUNT
CALCULATION OF 1988 PLEDGED REVENUES, AS ABOVE:						
GASOLINE TAX	5¢ of the 12¢ tax per gallon	$ 198,748	$157,821	$ 356,569	41.7%	$148,570
PETROLEUM PRODUCTS FEE	All	23,199	12,017	35,216	100.0%	35,216
MOTOR VEHICLE REGISTRATION FEE	One-half	139,834		139,834	50.0%	69,917
FRANCHISE TAX	All	147,782		147,782	100.0%	147,782
TOTALS		$ 509,562	$169,838	$ 679,401		$401,485

NOTE: Pledged revenues for the last five years are shown below:

FISCAL YEAR	PLEDGED REVENUES	PER CENT INCREASE (DECREASE)
1984	$268,269	7.1%
1985	314,286	17.2
1986	352,138	12.0
1987	405,964	15.3
1988	401,485	(1.1)

TABLE VI

STATE OF TENNESSEE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL LONG-TERM DEBT TO TOTAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Ratio Data)

FOR THE YEAR ENDED JUNE 30	DEBT SERVICE	TOTAL EXPENDITURES	RATIO
1979	$80,873	$2,512,304	3.22%
1980	78,104	2,890,021	2.70
1981	80,774	2,999,525	2.69
1982	85,487	2,990,378	2.86
1983	91,596	3,043,409	3.01
1984	87,840	3,414,140	2.57
1985	83,440	3,849,951	2.17
1986	78,929	4,353,959	1.81
1987	100,191	4,734,268	2.12
1988	104,182	5,127,284	2.03

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
TENNESSEE HOUSING DEVELOPMENT AGENCY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	DEDICATED REVENUES	RELATED EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE (NOTE)
1979	$ 24,339	$ 928	$ 23,411	$ 20,177	1.16
1980	32,289	1,123	31,166	26,548	1.17
1981	42,335	1,478	40,857	38,609	1.06
1982	45,141	1,600	43,541	44,424	.98
1983	63,336	1,805	61,531	65,174	.94
1984	63,216	1,995	61,221	65,451	.94
1985	80,733	2,385	78,348	83,714	.94
1986	107,079	2,938	104,141	105,117	.99
1987	103,886	2,818	101,068	102,362	.99
1988	109,884	2,791	107,093	111,012	.96

NOTE: Under THDA's series bond resolutions, scheduled amounts of anticipated mortgage loan prepayments are used each year to pay a portion of maturing bond principal. Accordingly, in addition to the net revenue available for debt service shown above, THDA applied some $8.7 million in prepayments against fiscal year 1988's debt service requirements.

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	FEES AND CHARGES	DEBT SERVICE REQUIREMENTS: TENNESSEE STATE SCHOOL BOND AUTHORITY	DEBT SERVICE REQUIREMENTS: OTHER THAN AUTHORITY	DEBT SERVICE REQUIREMENTS: TOTAL	COVERAGE
1979	$ 174,512	$ 13,109	$1,261	$ 14,370	12.1
1980	193,954	13,013	2,038	15,051	12.9
1981	229,638	13,014	1,451	14,465	15.9
1982	262,407	13,009	1,435	14,444	18.2
1983	290,454	12,526	1,349	13,875	20.9
1984	291,675	19,766	1,333	21,099	13.8
1985	352,909	22,126	1,359	23,485	15.0
1986	378,127	25,691	714	26,405	14.3
1987	421,643	27,366	715	28,081	15.0
1988	475,980	27,186	541	27,728	17.2

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

The economic future for Tennessee remains bright. The decisions by Saturn and Nissan to locate their production facilities in Tennessee are very visible signs that the state is a desirable place to do business. Characteristics of the state which have been identified as important reasons why firms have chosen Tennessee sites include work-force related factors such as worker productivity, right-to-work laws and low unionization, as well as access to markets and pro-business attitude of the state. Other factors include relatively inexpensive energy, plentiful natural resources and sun-belt location. Tennessee's gross state product as a percentage of gross national product increased from 1.80% in 1979 to 1.88% in 1988, and personal income was 1.64% in the same years.

(Expressed in Millions)

YEAR	GROSS STATE PRODUCT	PERSONAL INCOME	DISPOSABLE PERSONAL INCOME
1979	$ 45,384	$ 32,094	$ 27,861
1980	48,444	35,332	30,563
1981	54,212	38,468	34,109
1982	55,612	41,921	36,353
1983	60,309	44,431	38,538
1984	67,152	49,053	42,977
1985	71,507	52,013	44,424
1986	76,260	55,104	47,738
1987	82,387	60,963	52,579
1988	88,064(EST.)	65,069	56,392

	TENNESSEE GROSS STATE PRODUCT BY SECTOR (Expressed in Millions)			SECTOR AS PERCENTAGE OF 1988 TOTAL
	1978	1983	1988	
MANUFACTURING	$14,046	$19,868	$26,210	29.7%
CONSTRUCTION	2,015	2,360	3,679	4.2
MINING	451	673	717	0.8
TRADE	6,824	9,640	16,008	18.2
SERVICES	4,449	7,907	13,234	15.0
FINANCE, INSURANCE AND REAL ESTATE	4,604	7,215	10,351	11.8
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	3,169	5,030	7,386	8.4
FEDERAL GOVERNMENT	1,927	2,580	3,226	3.7
STATE AND LOCAL GOVERNMENT	2,863	4,164	6,028	6.8
AGRICULTURE	869	952	1,224	1.4
TOTAL GROSS STATE PRODUCT	$41,217	$60,389	$88,063	100%

	TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR			PERCENTAGE CHANGE (FROM 1978 TO 1988)
	1978	1983	1988	
MANUFACTURING	$ 11,580	$ 17,550	$ 22,244	92.1%
CONSTRUCTION	11,642	16,988	20,379	75.0
MINING	14,013	20,313	22,354	59.5
TRADE	8,908	12,383	15,060	69.1
SERVICES	8,650	14,648	18,543	114.4
FINANCE, INSURANCE AND REAL ESTATE	11,719	17,991	24,250	106.9
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	15,764	23,063	27,655	75.4
FEDERAL GOVERNMENT	17,814	25,291	30,889	73.4
STATE AND LOCAL GOVERNMENT	10,005	14,244	19,061	90.5
AGRICULTURE	3,927	6,807	7,580	93.0
AVERAGE ALL SECTORS	$ 10,855	$ 15,859	$ 19,794	82.3%

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*Except as otherwise noted, the source for all economic information presented is the Tennessee Econometric Model developed by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville.

MANUFACTURING

Manufacturing investment in Tennessee totaled $1.6 billion in 1987, marking the fifth consecutive billion dollar year for the state The combined new plant and expansion projects announced are expected to create 24,700 new job opportunities. The tables which follow indicate the state's manufacturing gross product, employment and industrial expansion.

TENNESSEE MANUFACTURING GROSS PRODUCT
(Expressed in Millions)

	1978	1983	1988	PERCENTAGE CHANGE (FROM 1978 TO 1988)
DURABLES:				
FURNITURE AND FIXTURES	$ 407	$ 587	$ 843	107.1%
FABRICATED METALS	922	1,127	1,438	56.0%
NONELECTRICAL MACHINERY	1,195	1,655	2,343	96.1%
ELECTRICAL MACHINERY	1,144	1,545	2,219	94.0%
TRANSPORTATION EQUIPMENT	823	1,409	2,018	145.2%
OTHER	1,833	2,146	3,365	83.6%
TOTAL DURABLES	6,324	8,469	12,226	93.3%
NONDURABLES:				
FOOD	1,410	2,358	2,924	107.4%
TEXTILES	436	631	785	80.0%
APPAREL	932	1,273	1,473	58.0%
PAPER	651	1,122	1.479	127.2%
PRINTING AND PUBLISHING	586	1,094	1,634	178.8%
CHEMICALS	2,434	3,211	3,459	42.1%
RUBBER AND PLASTICS	789	990	1,572	99.2%
OTHER	484	721	658	36.0%
TOTAL NONDURABLES	7,722	11,400	13,984	81.1%
TOTALS	$ 14,046	$ 19,869	$ 26,210	86.6%

TENNESSEE MANUFACTURING EMPLOYMENT
(Expressed in Thousands)

	1978	1983	1988	PERCENTAGE CHANGE (FROM 1978 TO 1988)
DURABLES:				
FURNITURE AND FIXTURES	26.1	21.5	27.2	4.2%
FABRICATED METALS	34.3	35.5	41.0	19.5%
NONELECTRICAL MACHINERY	36.5	31.7	35.5	-2.7%
ELECTRICAL MACHINERY	41.2	37.5	36.9	-10.4%
TRANSPORTATION EQUIPMENT	25.0	24.3	35.3	41.2%
OTHER	75.1	64.0	70.3	-6.4%
TOTAL DURABLES	238.2	214.5	246.2	3.4%
NONDURABLES:				
FOOD	40.1	36.9	38.8	-3.2%
TEXTILES	29.0	25.2	23.7	-18.3%
APPAREL	71.2	64.8	64.4	-9.6%
PAPER	17.4	16.9	18.0	3.4%
PRINTING AND PUBLISHING	26.1	29.1	32.4	24.1%
CHEMICALS	57.7	43.0	38.7	-32.9%
RUBBER AND PLASTICS	22.8	21.0	25.9	13.6%
OTHER	23.5	17.2	11.7	-50.2%
TOTAL NONDURABLES	287.8	254.1	253.6	-11.9%
TOTALS	526	468.6	499.8	-5.0%

INDUSTRIAL GROWTH IN TENNESSEE
NEW PLANTS AND EXPANSIONS

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
NUMBER:										
NEW	104	90	80	70	73	118	109	118	123	140
EXPANSIONS	136	151	129	158	137	204	253	189	204	201
	240	241	209	228	210	322	362	307	327	341
INVESTMENT (IN THOUSANDS):										
NEW	$ 212,002	$ 238,945	$ 922,894	$ 119,147	$ 173,405	$ 207,536	$ 329,403	$3,764,765	$ 360,031	$ 791,490
EXPANSIONS	367,874	353,274	853,470	463,731	587,578	1,116,533	1,015,274	764,083	704,880	809,713
	$ 579,876	$ 592,219	$1,776,364	$ 582,878	$ 760,983	$1,324,069	$1,344,677	$4,528,848	$1,064,911	1,601,203
JOB OPPORTUNITIES:										
NEW	7,674	5,942	7,294	3,679	5,336	8,154	7,065	14,709	8,361	13,644
EXPANSIONS	6,750	8,922	5,460	9,253	5,602	11,897	15,065	11,041	10,697	11,073
	14,424	14,864	12,754	12,932	10,938	20,051	22,130	25,750	19,058	24,717

FIFTY LARGEST INDUSTRIAL EMPLOYERS

(Ranked by Number of Employees)

COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES
1. EASTMAN KODAK COMPANY	2	13,100
2. MARTIN MARIETTA	3	11,800
3. TEXTRON INC	3	7,100
4. MURRAY OHIO MANFACTURING CO.	2	6,000
5. PHILIPS INDUSTRIES	6	5,287
6. WICKES COMPANIES, INC	5	4,924
7. E. I. DUPONT DE NEMOURS & CO.	4	4,402
8. GENERAL ELECTRIC COMPANY	8	4,328
9. ARCATA GRAPHICS	2	4,069
10. ALUMINUM COMPANY OF AMERICA	1	3,700
11. LEVI STRAUSS & COMPANY	6	3,120
12. GOODYEAR TIRE & RUBBER	1	3,100
13. NISSAN MOTOR COMPANY LTD	1	3,000
14. UNITED TECHNOLOGIES	3	2,703
15. GULF & WESTERN INDUSTRIES	12	2,667
16. BASF FIBERS	1	2,650
17. T R W, INC.	6	2,586
18. A F G INDUSTRIES	3	2,435
19. FARLEY INDUSTRIES	4	2,375
20. GENESCO INC.	9	2,368
21. MAYTAG COMPANY	2	2,350
22. GANNETT COMPANY, INC	3	2,307
23. HENRY I SIEGEL COMPANY	7	2,235
24. SCHERING-PLOUGH, INC.	2	2,220
25. ARVIN INDUSTRIES	3	2,081
26. MAREMONT CORPORATION	3	2,081
27. BROWN GROUP INC	5	2,055
28. WASHINGTON MANUFACTURING CO.	6	1,995
29. FORD MOTOR COMPANY	1	1,953
30. MCKEE BAKING COMPANY	1	1,950
31. E. W. SCRIPPS COMPANY	2	1,930
32. TRIANGLE PACIFIC CORPORATION	4	1,857
33. ALLEGHENY INTERNATIONAL	5	1,838
34. BLUE BELL INC.	6	1,736
35. SIEBE, PLC	3	1,728
36. BRUCE HARDWOOD FLOOR CO.	3	1,642
37. JIM WALTER CORPORATION	3	1,614
38. COMBUSTION ENGINEERING, INC.	3	1,605
39. SPERRY CORPORATION	1	1,595
40. BOWATER CORPORATION	2	1,580
41. KRAFT, INC.	4	1,520
42. KELLWOOD COMPANY	4	1,516
43. THE TRANE COMPANY	1	1,500
44. TELEDYNE, INC	4	1,486
45. ELECTROLUX	3	1,401
46. STATE INDUSTRIES	1	1,400
47. UNITED METHODIST PUBLISHING	1	1,384
48. COCA-COLA BOTTLING COMPANY	5	1,383
49. TEXAS BOOT COMPANY	3	1,382
50. BEATRICE INC	3	1,325

SOURCE: Tennessee Department of Economic and Community Development.

AGRICULTURE

Important export commodities such as soybeans, tobacco, feed grains, cotton, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS
(Expressed in Millions)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
CROPS	$ 842.1	$ 996.7	$1,080.6	$1,051.0	$ 896.9	$1,056.2	$1,091.3	$ 890.7	$ 930.8	$ 959.6
MEAT ANIMALS	607.5	509.2	427.1	481.6	503.7	647.3	602.6	615.9	647.4	682.8
DAIRY PRODUCTS	244.1	287.3	308.5	304.6	295.3	275.9	281.9	293.9	288.3	304
POULTRY AND EGGS	102.6	108.4	116.9	112.0	107.5	130.6	115.7	142.9	147.2	151.7
TOTALS	$1,796.3	$1,901.6	$1,933.1	$1,949.2	$1,803.4	$2,110.0	$2,091.5	$1,943.4	$2,013.7	$2,098.1

POPULATION AND EMPLOYMENT TREND

The state's population has increased close to 1% per year with a shift in recent years to a net in-migration condition from one of a net out-migration.

(Expressed in Thousands except Unemployment Rates)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
POPULATION	4,533	4,595	4,630	4,656	4,676	4,726	4,762	4,798	4,835	4,876
LABOR FORCE	2,039	2,080	2,116	2,129	2,180	2,220	2,246	2,299	2,335	2,343
TOTAL EMPLOYMENT	1,921	1,928	1,924	1,877	1,930	2,030	2,066	2,117	2,177	2,199
UNEMPLOYMENT	118	152	192	252	250	190	180	182	158	144
TENNESSEE UNEMPLOYMENT RATE	5.8	7.3	9.1	11.8	11.5	8.6	8.0	7.9	6.8	6.2
U. S. UNEMPLOYMENT RATE	5.8	7.1	7.6	9.7	9.6	7.5	7.2	7.1	6.3	5.5

BANK DEPOSITS, SALES AND EFFECTIVE BUYING INCOME

	(Expressed in Millions)		(Expressed in Thousands)
YEAR	BANK DEPOSITS	SALES	EFFECTIVE BUYING INCOME MEDIAN HOUSEHOLD
1978	$ 17,288	$ 19,166	$13.4
1979	18,645	20,733	14.8
1980	19,875	21,096	15.8
1981	21,251	22,972	17.0
1982	23,012	24,354	19.0
1983	25,070	26,165	19.8
1984	27,422	29,644	21.3
1985	29,334	31,817	19.8
1986	32,271	36,188	20.4
1987	34,954	38,784	21.6

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES
VALUATION OF BUILDING PERMITS ISSUED

(Expressed in Thousands)

YEAR	VALUATION	YEAR	VALUATION
1978	$ 805,200	1983	$ 1,202,700
1979	728,600	1984	1,406,633
1980	610,800	1985	1,632,906
1981	392,000	1986	1,808,228
1982	701,100	1987	1,851,013

SOURCES: The Tennessee Econometric Model, Tennessee Department of Employment Security Labor Force Summary, Sales and Marketing Management, and U. S. Bureau of the Census Construction Reports.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

YEAR	POPULATION	ASSESSED VALUE	APPRAISED/ ESTIMATED CURRENT VALUE	PERSONAL INCOME	PER CAPITA INCOME
1979	4,533	$13,591,900	$ 66,257,600	$32,094,000	$ 7.1
1980	4,595	16,647,800	72,767,700	35,332,000	7.7
1981	4,630	17,350,600	87,795,800	39,468,000	8.5
1982	4,656	18,842,000	90,992,300	41,921,000	9.0
1983	4,676	21,875,000	93,915,000	44,431,000	9.5
1984	4,726	25,239,000	97,016,000	49,053,000	10.4
1985	4,762	26,453,000	107,331,000	52,013,000	10.9
1986	4,798	28,910,000	112,060,000	55,104,000	11.5
1987	4,840	31,501,408	126,097,400	60,968,000	12.6
1988(EST.)	4,876	34,499,000	135,200,000	65,009,000	13.3

PUBLIC SCHOOL ENROLLMENT GRADES K-12

ACADEMIC YEAR	GRADES K-3	GRADES 4-6	GRADES 7-9	GRADES 10-12	TOTAL ALL GRADES
1978-79	280,357	202,414	224,585	190,173	897,529
1979-80	274,146	205,877	214,202	189,448	883,673
1980-81	268,985	214,658	210,485	192,554	886,682
1981-82	257,835	212,047	205,791	183,919	859,582
1982-83	255,674	203,806	208,712	177,527	845,719
1983-84	255,855	195,060	213,319	173,054	837,288
1984-85	258,214	189,030	212,953	170,693	830,890
1985-86	261,165	184,545	207,631	173,707	827,048
1986-87	267,044	185,886	202,599	180,040	835,569
1987-88	273,353	189,605	196,910	181,152	841,020

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
UNIVERSITIES:										
AUSTIN PEAY STATE	4,001	4,112	4,079	4,107	4,091	4,389	4,306	4,067	4,015	4,160
EAST TENNESSEE STATE	8,181	8,348	7,897	7,861	7,907	8,060	7,963	7,986	7,984	8,213
MEMPHIS STATE	15,683	15,495	15,195	15,007	15,524	16,463	15,860	15,348	14,838	15,144
MIDDLE TENNESSEE STATE	9,109	9,467	9,788	9,593	9,845	9,969	9,794	9,854	9,915	10,398
TENNESSEE STATE	4,889	6,473	6,588	6,091	6,128	6,134	5,796	5,232	5,134	5,426
TENNESSEE TECHNOLOGICAL	6,517	6,905	7,403	7,369	7,458	7,340	7,068	7,136	6,902	7,061
UNIVERSITY OF TENNESSEE:										
CHATTANOOGA	5,042	5,356	5,739	5,709	5,804	6,058	5,764	5,861	5,727	5,557
KNOXVILLE	25,371	25,725	25,662	24,403	22,991	22,721	21,780	21,077	21,449	21,879
MARTIN	4,652	4,828	5,005	5,153	5,129	5,115	4,857	4,572	4,531	4,473
NASHVILLE	2,418	*	*	*	*	*	*	*	*	*
TOTAL UNIVERSITIES	85,863	86,709	87,156	85,292	84,677	86,269	83,188	81,133	80,495	82,311
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECH.	2,633	2,997	3,108	3,205	3,405	3,502	3,076	2,607	2,942	3,416
CLEVELAND STATE	1,920	1,806	2,113	1,856	2,039	2,034	1,791	1,895	1,586	1,707
COLUMBIA STATE	1,248	1,311	1,451	1,353	1,536	1,504	1,383	1,367	1,560	1,563
DYERSBURG STATE	626	671	684	884	1,039	1,050	958	918	1,001	962
JACKSON STATE	1,522	1,686	1,686	1,683	1,840	1,784	1,601	1,471	1,473	1,704
MOTLOW STATE	1,067	1,124	1,262	1,224	1,352	1,354	1,365	1,181	1,316	1,392
ROANE STATE	1,751	1,799	2,139	2,216	2,323	2,368	2,334	2,435	2,518	2,909
SHELBY STATE	3,071	3,260	3,443	2,997	3,184	3,297	2,855	2,416	2,484	2,282
VOLUNTEER STATE	1,578	1,857	2,078	2,038	2,048	1,973	1,855	1,680	1,853	2,034
WALTERS STATE	1,875	2,102	2,286	2,116	2,240	2,244	2,181	2,101	2,201	2,395
TOTAL COMMUNITY COLLEGES	17,291	18,613	20,250	19,572	21,006	21,118	19,399	18,071	18,934	20,364
TOTAL ALL INSTITUTIONS	103,154	105,322	107,406	104,864	105,683	107,387	102,587	99,204	99,429	102,675

*Effective July 1, 1980 the Nashville campus of the University of Tennessee was merged with Tennessee State University.

SOURCES: The Tennessee Econometric Model, State Board of Equalization, Tennessee Department of Education and the Higher Education Commission.